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AIRPORT AND AIRWAY SYSTEM DEVELOPMENT ACT OF 1981

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HEARING

BEFORE THE

SUBCOMMITTEE ON AVIATION

OF THE

COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION

UNITED STATES SENATE

NINETY-SEVENTH CONGRESS

SECOND SESSION

ON

S. 508

TO PROVIDE FOR THE IMPROVEMENT OF THE NATION'S AIRPORT AND AIRWAY SYSTEM, AND FOR OTHER PURPOSES

MAY 24, 1982

Serial No. 97-124

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AIRPORT AND AIRWAY SYSTEM DEVELOPMENT ACT OF 1981

MONDAY, MAY 24, 1982

U.S. SENATE,
COMMITTEE ON COMMERCE, SCIENCE AND TRANSPORTATION,
SUBCOMMITTEE ON AVIATION,
Washington, D.C.

The subcommittee met, pursuant to notice, at 9:30 a.m., in room 235, Russell Senate Office Building, Hon. Nancy Kassebaum (chairwoman of the subcommittee) presiding.

Staff members assigned to this hearing: David M. Kirstein, staff counsel; and Charles M. Barclay, minority staff counsel.

OPENING STATEMENT BY SENATOR KASSEBAUM

Senator KASSEBAUM. The hearing will come to order.

I think we will go ahead and get started since there are a number of witnesses this morning. I am sorry that Senator Cannon cannot be here. He had anticipated being here but had to stay in Nevada for an extra day.

It seems that this is really an almost annual hearing on ADAP. And I think we would all agree we are going to have to stop meeting like this.

And that is indeed the purpose of this hearing. Our efforts to generate a new ADAP program has been at a standstill since 1979. In 1981 the airport program was funded at only $450 million. This year the program is even in worse shape. No moneys have been authorized for the airport program. The current aviation taxes are being paid into either the highway trust fund or the general fund. And the uncommitted surplus in the trust fund is being drawn down to pay for various FAA programs which are themselves in a holding pattern.

As of 3 weeks ago we were no further along in resolving the ADAP logjam than we were in 1980. This has been a source of great frustration to everyone who is interested in the airport and airways system. Certainly, Senator Packwood and Senator Cannon have long been involved in these endeavors.

It is apparent to me that if the needs of the system, both airport and airspace, are to be met, we must move forward now with the longer term program that provides sufficient funding for the initial phase of the FAA modernization plan that provides needed funds for airport capital development and that assures that the air navigation system is maintained during the transition.

It also seems clear to me that if there were no multiyear bill this session, there likely would be no bill at all. If this occurred, there would be no funding of airport programs at all in fiscal year 1982, and we would all be making again another annual pilgrimage here to this hearing room to continue discussions which have now already gone on too long. Another year's delay hurts all the users of the system both today and in the future.

In what perhaps should be described as a last effort to get these important programs moving, the staffs of both the Department of Transportation and the Aviation Subcommittee of the Commerce Committee have worked hard to see if they could come up with a program that met the basic needs of the airport and the FAA for a 5-year period of time.

The program that was devised is staightforward. It provides in fiscal year 1983 $690 million for airport capital programs. This level rises by 50 percent annually to a maximum $1.2 billion in fiscal year 1987. The average for the 5 years is approximately $930 million per year.

In addition, the program would fund 75 percent of the FAA total budget through the trust fund. Under this scheme there would be no mandatory defederalization, nor would an airport that chose voluntarily to defederalize be authorized to collect a passenger facility charge. This program would be funded through the user taxes similar to those that existed under the expired program. There would be an 8 percent ticket tax, 5 percent waybill taxes, $3 emplanement charge for international departures, a 12-cent aviation gas tax, and a 14-cent jet fuel tax and a 5-cent and 10-cent per pound tax on tires and tubes, respectively.

These proposed amendments to S. 508 are based on concepts which I did not initially endorse, for policy reasons. Personally, I have supported the defederalization concept, coupled with the right of defederalized airports to impose a passenger facility charge. In addition, I have not favored funding a substantial portion of O. & M. costs through the trust fund vehicle. Also, the level of user charges envisioned in this proposal is higher than those initially contemplated when we reported S. 508 out of the committee.

Having said all this, I maintain that this program is one which should be supported by Members of Congress and the aviation community. I say this because the program does provide the money needed now for improvements in the system. User charges are not excessive and should not create any hardship on any user group in this time of unprecedented constraints on the Federal budget and the general tax fund.

An expanded user fee program represents the only course for securing these needed funds. I know that a number of our airports whose representatives are here today oppose these changes because they do not trust the Congress to make funds available in the future regardless of the authorization.

No one, least of all the Members of Congress, can predict what we will do in the future. I do believe, however, that this Congress understands and apppreciates how the user fee program works and will see to it that money generated by users will flow back into the system.

I certainly know that Senator Packwood and Senator Cannon and myself will be watchdogs over the use of those moneys that will go into the fund. Even though this is our third annual hearing on ADAP, I think it is only reasonable to give Congress a chance to prove that it can carry through on this program.

Certainly, running this risk is far better than having no program at all. Even if these predictions prove correct, some money will be flowing and the subcommittee can take up the issue again.

Today we also are taking testimony on the national airspace systems plan. This plan represents a major step forward in developing a program to modernize, in some respects revolutionize, the air traffic control system. We all compliment Administrator Lynn Helms and his fine staff at the FAA for this exceptional effort.

As with any program of this magnitude, questions have been raised about the general design and the implementation of the plan. We will explore some of those questions today for the purpose of developing the authorization and tax packages. We had accepted the FAA's proposed budget for both facilities and equipment and for research and development. However, before any final decision is made, we must assure ourselves that these expenditures are fully justified by the plan and the benefits will equal or exceed the cost.

Senator Packwood, do you have any comments?

OPENING STATEMENT BY THE CHAIRMAN

The CHAIRMAN. I have a very brief statement. I am optimistic today for the first time in 3 years that we may be close to an agreement. Great credit goes to both Senator Kassebaum and Secretary Lewis. I know Senator Cannon and I have been over this territory, but it was only when Secretary Lewis and Senator Kassebaum got into it that we began to get close to an agreement. When I say close, I realize that every group is not in complete harmony on every facet of the proposal, but we are in closer harmony today than we have ever been in the past 3 years.

It is imperative that we pass legislation. We have seen a recession in the airline industry for the last 3 years that is not going to last much longer. We are going to see an increase in traffic and an increase in planes in the next decade that we must be prepared to meet. We are not prepared to meet it now. It is only going to get worse as we go on year by year.

So I hope that we are at last successful in adopting an ADAP plan that will at least be 90-percent acceptable to 90 percent of the people involved in using it. And I think we are very close.

Mr. Secretary and Senator Kassebaum, I want to congratulate both of you for having brought us at least to this point in the passage. Thank you.

[The bill follows:]

II

97TH CONGRESS
1ST SESSION

S. 508

To provide for the improvement of the Nation's airport and airway system, and for other purposes.

IN THE SENATE OF THE UNITED STATES

FEBRUARY 20 (legislative day, FEBRUARY 16), 1981

Mrs. KASSEBAUM (for herself, Mr. PACKWOOD, and Mr. CANNON) introduced the following bill; which was read twice and referred to the Committee on Commerce, Science, and Transportation

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A BILL

To provide for the improvement of the Nation's airport and airway system, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Airport and Airway System Development Act of 1981".

DECLARATION OF POLICY

SEC. 2. The Congress hereby finds and declares that—

the safe operation of the airport and airway system will continue to be the highest aviation priority;

continuing airport and airway improvement programs and more effective management and utiliza-

tion of the Nation's airport and airway system are required to meet the current and projected growth of aviation and the requirements of interstate commerce, the Postal Service, and the national defense;

all airport and airway programs should be administered in a manner consistent with the provisions of sections 102 and 103 of the Federal Aviation Act of 1958 (49 U.S.C. 1302 and 1303), as amended by the Airline Deregulation Act of 1978, with due regard for the goals expressed therein of fostering competition, preventing unfair methods of competition in air transportation, maintaining essential air transportation, and preventing unjust and discriminatory practices;

this Act should be administered in a manner to provide adequate navigation aids and airport facilities, including reliever airports, for points with scheduled commercial air service;

this Act should be administered in a manner to maximize the use of safety facilities, with highest priority for commercial service airports, including but not limited to, the goal of installing, operating, and maintaining a precision approach system and a full approach light system for each primary runway, grooving or friction treatment of all primary and secondary runways, a nonprecision instrument approach for all sec-

ondary runways, runway end identifier lights on all runways that do not have an approach light system, electronic or visual vertical guidance on all runways, runway edge lighting and marking, and radar approach coverage for all airport terminal areas;

aviation facilities which receive assistance under this Act should be constructed and operated with due regard to providing substantial relief from current and projected noise impacts on nearby communities;

certain airports which have the ability to finance their capital and operating needs without Federal assistance should no longer receive Federal assistance under this Act;

such airports can replace the moneys they otherwise would have received as Federal assistance under this Act by renegotiating rates and charges paid by air carriers for the use of such airports; and

the Federal administrative requirements placed upon airport sponsors can be reduced and simplified through the use of a single project application to cover all airport improvement projects contained in the airport's annual expenditure program.

DEFINITIONS

SEC. 3. As used in this Act—

(1) "Air traffic hub" means all of the commercial service and reliever airports determined by the Secretary to be serving the same geographical area.

(2) "Airport" means any area of land or water which is used, or intended for use, for the landing and takeoff of aircraft, and any appurtenant areas which are used, or intended for use, for airport buildings or other airport facilities or rights-of-way, together with all airport buildings and facilities located thereon.

(3) "Airport development" means any of the following activities, if undertaken by the sponsor, owner or operator of a public-use airport:

(A) any work involved in constructing, reconstructing, or improving a public-use airport or portion thereof, including—

(i) the removal, lowering, relocation, or marking and lighting of airport hazards;

(ii) the construction of physical barriers or landscaping for the purpose of diminishing the effect of aircraft noise on any area adjacent to a public-use airport; and

(iii) the preparation of plans and specifications, including field investigation incidental thereto;

(B) the soundproofing of any school or hospital, or of any publicly owned health facility, operating as such at the time of the enactment of this Act, or, when specifically approved by the Secretary, operating as such subsequent thereto, and located in an area proximate to a public-use airport in which the noise levels caused by the operation of such airport are not compatible with the operations of such institutions;

(C) any acquisition or installation at or by a public-use airport of—

(i) navigation and other aids used by aircraft for landing at or taking off from such airport, including any necessary site preparation;

(ii) safety or security equipment required by the Secretary by rule or regulation for the safety or security of persons and property at such airport, or specifically approved by the Secretary as contributing significantly to the safety or security of persons and property at such airport;

(iii) snow removal equipment;

(iv) noise suppressing equipment for the purpose of diminishing the effect of aircraft noise on any area adjacent to such airport;

(v) noise monitoring equipment; or

(vi) aviation-related weather reporting equipment;

(D) any acquisition of land or of any interest therein, or of any easement through or other interest in airspace, including land for future airport development, which is necessary to permit any airport development described in paragraph 3(A) or 3(C) of this section or to remove, mitigate, or prevent or limit the establishment of airport hazards; and

(E) any acquisition of land or of any interest therein necessary to insure that such land is used only for purposes which are compatible with the noise levels of the operation of a public-use airport.

(4) "Airport hazard" means any structure or object of natural growth located on or in the vicinity of a public-use airport, or any use of land near such an airport, which obstructs the airspace required for the flight of aircraft in landing or taking off at such an air-

port or is otherwise hazardous to such landing or taking off of aircraft.

(5) "Airport planning" means planning as defined by such regulations as the Secretary shall prescribe, and includes airport system planning.

(6) "Airport system planning" means the initial as well as continuing development for planning purposes of information and guidance to determine the extent, type, nature, location, and timing of airport development needed in a specific area to establish a viable and balanced system of public-use airports. It includes identification of system needs, development of estimates of systemwide development costs, and the conduct of such studies, surveys, and other planning actions, including those related to airport access, as may be necessary to determine the short-, intermediate-, and long-range aeronautical demands required to be met by a particular system of airports. It also includes the establishment by a State of standards, other than standards for safety of approaches, for airport development at public-use airports which are not primary airports.

(7) "Annual expenditure program" means a program for the utilization of funds pursuant to a consolidated improvement plan.

(8) "Block-grant" means a grant of funds to a participating State for distribution by such participating State for projects contained in its approved annual expenditure program.

(9) "Commercial service airport" means a public airport which is determined by the Secretary either to enplane annually 2,500 or more passengers and receive scheduled passenger service of aircraft, or to enplane annually 10,000 or more passengers.

(10) "Consolidated improvement plan" means a 3-year plan for development and planning projects at one or more airports.

(11) "Eligible airport" means an airport that is eligible to receive Federal assistance for airport development or airport planning pursuant to the provisions of this Act.

(12) "Government aircraft" means aircraft owned and operated by the United States.

(13) "Landing area" means that area used or intended to be used for the landing, takeoff, or surface maneuvering of aircraft.

(14) "Passengers enplaned" means domestic, territorial, and international revenue passenger enplanements in the United States in scheduled and nonscheduled service of aircraft in intrastate, interstate, and for-

eign commerce as shall be determined by the Secretary pursuant to such regulations as the Secretary may prescribe.

(15) "Participating State" means a State authorized by the Secretary to receive a block-grant from funds apportioned under section 8(b)(3) of this Act.

(16) "Primary airport" means a commercial service airport which is determined by the Secretary to have enplaned .01 percent or more of the total number of passengers enplaned annually at all commercial service airports.

(17) "Primary hub" means an air traffic hub, the commercial service airports of which are determined by the Secretary to have enplaned .5 percent or more of the total number of passengers enplaned annually at all commercial service airports.

(18) "Project" means a project (or separate projects submitted together) for the accomplishment of airport development or airport planning, including the combined submission of all projects which are to be undertaken at an airport in a fiscal year.

(19) "Project costs" means any costs involved in accomplishing a project.

(20) "Project-grant" means a grant of funds by the Secretary to a sponsor for the accomplishment of one or more projects.

(21) "Public agency" means a State, the Commonwealth of Puerto Rico, the Virgin Islands, American Samoa, the Government of the Northern Mariana Islands, the Trust Territory of the Pacific Islands, or Guam or any agency of any of them; a municipality or other political subdivision; a tax-supported organization; or an Indian tribe or pueblo.

(22) "Public airport" means any airport which is used or to be used for public purposes, under the control of a public agency, the landing area of which is publicly owned.

(23) "Public-use airport" means any public airport or any privately owned reliever airport which is used or to be used for public purposes.

(24) "Reliever airport" means an airport designated by the Secretary as having the function of relieving congestion at a primary airport.

(25) "Secretary" means the Secretary of Transportation.

(26) "Sponsor" means (A) any public agency which, either individually or jointly with one or more other public agencies, submits to the Secretary, or a

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participating State, in accordance with this Act, an application for financial assistance for airport development or airport planning at a public airport or (B) any private owner of a public-use airport which submits to the Secretary or a participating State, in accordance with this Act, an application for financial assistance for airport development or airport planning at a reliever airport.

(27) "State" means a State of the United States or the District of Columbia.

(28) "Trust Fund" means the Airport and Airway Trust Fund established by section 208 of the Airport and Airway Revenue Act of 1970, as amended.

(29) "United States share" means that portion of the project costs of projects for airport development or airport planning which, pursuant to section 12 of this Act, is to be paid from funds made available for the purposes of this Act.

NATIONAL AIRPORT SYSTEM PLAN

SEC. 4. (a) FORMULATION OF PLAN.—The Secretary shall review and revise as necessary the existing national airport system plan to provide for the development of public-use airports in the United States. The plan shall include the type and estimated cost of eligible airport development considered by the Secretary to be necessary to provide a safe

and efficient system of public-use airports to anticipate and meet the needs of civil aeronautics, to meet requirements in support of the national defense as determined by the Secretary of Defense, and to meet identified needs of the Postal Service. In reviewing and revising the plan, the Secretary shall consider the needs of all segments of civil aviation, and take into consideration, among other things, the relationship of each airport to (1) the rest of the transportation system in the particular area, (2) the forecasted technological developments in aeronautics, and (3) forecasted developments in other modes of intercity transportation.

(b) In reviewing and revising the national airport system plan, the Secretary shall consult, to the extent feasible and as appropriate, with other Federal and public agencies, and with the aviation community.

(c)(1) The Department of Defense shall make domestic military airports and airport facilities available for civil use to the extent feasible. In advising the Secretary of national defense requirements pursuant to subsection (a) of this section, the Secretary of Defense shall indicate the extent to which domestic military airports and airport facilities will be available for civil use.

(2) Not later than 1 year after the date of enactment of this Act, the Secretary of Defense, the Secretary of Transportation, and the Comptroller General shall submit to the

Congress a joint evaluation of the military airport system and a plan to make domestic military airports and airport facilities available for civil use to the maximum extent compatible with national defense requirements. With respect to those military airports determined to be most feasible for civil use, such study and plan shall include an estimate of the costs and the development requirements involved in making such airports available for civil use and recommend public-sector civil sponsors in the case of each joint use proposed.

NAVIGATION AIDS

SEC. 5. The costs of site preparation work associated with acquisition, establishment, or improvement of air navigation facilities by the Secretary pursuant to section 307(b) of the Federal Aviation Act of 1958 (49 U.S.C. 1348(b)) shall be charged to appropriated funds available to the Secretary for that purpose pursuant to section 7(a) of this Act. Nothing in this Act shall preclude the Secretary from providing, in a grant agreement or other agreement with an airport owner or sponsor, for the performance of such site preparation work in connection with airport development, subject to payment or reimbursement for such site preparation work by the Secretary from such appropriated funds.

AIRPORT IMPROVEMENT PROGRAM

SEC. 6. (a) AIRPORT GRANTS; OBLIGATIONAL AUTHORITY.—In order to maintain a safe and efficient nation-

wide system of public-use airports to meet the present and future needs of civil aeronautics, the Secretary is authorized to make grants from the Trust Fund for airport development and airport planning by project-grants or block-grants in accordance with the provisions of this Act in aggregate amounts of not less than nor more than $825,000,000 for fiscal year 1981; $1,425,000,000 for the fiscal years prior to October 1, 1982; $1,975,000,000 for the fiscal years prior to October 1, 1983; $2,575,000,000 for the fiscal years prior to October 1, 1984; and $3,225,000,000 for the fiscal years prior to October 1, 1985.

(b) No obligation for airport development or airport planning shall be incurred by the Secretary, or a participating State, after September 30, 1985: *Provided,* That nothing in this section shall preclude the obligation by grant agreement of apportioned funds which remain available pursuant to section 9(a) of this Act after such date.

(c) No obligation shall be incurred by the Secretary, or a participating State, for airport development or airport planning at any airport that is ineligible to receive such Federal assistance under the provisions of section 23(a) or 23(b) of this Act.

(d) No obligation shall be incurred by the Secretary for airport development or airport planning at a privately owned reliever airport unless—

(1) such airport is a reliever airport which is part of a primary hub,

(2) the Secretary finds that such airport plays an essential role in the national airport system plan, and

(3) the Secretary receives appropriate assurances that such airport will continue to function as a reliever airport during the economic life of any facility at such airport that was developed with Federal financial assistance under this Act.

AIRWAY IMPROVEMENT PROGRAM

SEC. 7. (a) AIRWAY FACILITIES AND EQUIPMENT; OBLIGATIONAL AUTHORITY.—For the purposes of acquiring, establishing, and improving air navigation facilities under section 307(b) of the Federal Aviation Act of 1958 (49 U.S.C. 1348(b)), the Secretary is authorized, within the limits established in appropriation acts, to make expenditures from the Trust Fund in aggregate amounts of not less than nor more than $400,000,000 for fiscal year 1981; $850,000,000 for the fiscal years prior to October 1, 1982; $1,400,000,000 for the fiscal years prior to October 1, 1983; $2,000,000,000 for the fiscal years prior to October 1, 1984; and $2,750,000,000 for the fiscal years prior to October 1, 1985. Amounts appropriated under the authorization in this subsection shall remain available until expended.

(b) RESEARCH, ENGINEERING AND DEVELOPMENT, AND DEMONSTRATIONS.—The Secretary is authorized to carry out under section 312(c) of the Federal Aviation Act of 1958 such demonstration projects as the Secretary determines necessary in connection with research and development activities under such section 312(c). For research, engineering and development, and demonstration projects and activities under such section 312(c), there is authorized to be appropriated from the Trust Fund $90,000,000 for fiscal year 1981; $95,000,000 for fiscal year 1982; $100,000,000 for fiscal year 1983; $105,000,000 for fiscal year 1984; and $110,000,000 for fiscal year 1985. Amounts appropriated under the authorizations in this subsection shall remain available until expended.

(c) OTHER EXPENSES.—The moneys available in the Airport and Airway Trust Fund may be appropriated for (1) costs of services provided under international agreements relating to the joint financing of air navigation services which are assessed against the United States Government, and (2) direct costs incurred by the Secretary to flight check and maintain air navigation facilities referred to in subsection (a) of this section in a safe and efficient condition. Eligible maintenance expenses are limited to costs incurred in the field and exclude the costs of engineering support and planning, direction, and evaluation activities. The amounts appropriated

from the Airport and Airway Trust Fund for the purposes of clauses (1) and (2) of this subsection may not exceed $350,000,000 for fiscal year 1981; $375,000,000 for fiscal year 1982; $400,000,000 for fiscal year 1983; $425,000,000 for fiscal year 1984; and $450,000,000 for fiscal year 1985. No part of any amount appropriated from the Airport and Airway Trust Fund in any fiscal year for obligation or expenditure for the purposes described in clause (2) of this subsection shall be obligated or expended which exceeds that amount which bears the same ratio to the maximum amount which may be appropriated under clauses (1) and (2) of this subsection for such fiscal year as the total amount obligated in that fiscal year under subsections 6(a) and 7(a) of this Act bears to the aggregate of minimum amount made available for obligation under each such subsection for such fiscal year. If in fiscal year 1981, or in any subsequent fiscal year, the amount obligated under subsection 6(a) or obligated under subsection 7(a) of this Act in such fiscal year is less than the minimum amount made available for obligation under each such subsection for such fiscal year, the amount available for obligation or expenditure for the purposes described in clause (2) of this subsection shall be reduced by an amount equal to the difference between the minimum amount made available under subsection 6(a) or made available under subsection 7(a) of this Act for such fiscal year and the amount obligated

under each such subsection for such fiscal year. Any reduction under the preceding sentence shall be made in the amount available for obligation or expenditure in the next fiscal year for the purposes described in clause (2).

(d) PRESERVATION OF FUNDS AND PRIORITY FOR AIRPORT AND AIRWAY PROGRAMS.—

(1) Notwithstanding any other provision of law to the contrary, no amounts may be appropriated from the Trust Fund to carry out any program or activity under the Federal Aviation Act of 1958, except programs or activities referred to in this section.

(2) Amounts equal to the minimum amounts authorized for each fiscal year by section 6 or sections 7 (a) and (b) and the third sentence of section 7(c) of this Act shall remain available in the Trust Fund until appropriated for the purposes described in such subsections.

(3) Notwithstanding any other law to the contrary, no funds appropriated from amounts transferred to the trust fund by subsection (b) of section 208 of the Airport and Airway Revenue Act of 1970 (relating to aviation user taxes) may be obligated or expended for administrative expenses of the Department of Transportation or any unit thereof except to the extent au-

thorized by the provisions of and the formulas in subsection 7(c) of this Act.

(4) No provision of law, except for a statute hereafter enacted which expressly limits the application of this paragraph (4), shall impair the authority of the Secretary to obligate to an eligible airport by grant agreement in any fiscal year the unobligated balance of amounts which were apportioned in prior fiscal years and which remain available for approved airport development projects pursuant to subsection 9(a) of this Act, in addition to the minimum amounts authorized for that fiscal year by sections 6 and 7 of this Act.

(5) No provision of law shall be construed as authorizing the Secretary to oligate or expend any amounts appropriated from the Trust Fund for the purposes described in clause (1) or (2) of this subsection in any fiscal year after 1985 unless such provision expressly amends the provisions of and the formulas in subsection (c) of this section.

APPORTIONMENT OF FUNDS

SEC. 8. (a) For each fiscal year for which any amount is authorized to be obligated for the purposes of section 6 of this Act, the amount made available for that year, and not previously apportioned, shall be apportioned by the Secretary in accordance with subsection (b) of this section: *Provided,* That

in any apportionment for a fiscal year beginning after September 30, 1981, the Secretary shall not apportion any funds to airports that are ineligible to receive Federal assistance for such purposes under the provisions of section 23(a) or 23(b) of this Act.

(b) On the first day of each fiscal year for which any amount is authorized to be obligated for the purposes of section 6 of this Act, the amount made available for that year, and not previously apportioned, shall be apportioned by the Secretary as follows:

(1) PRIMARY AIRPORTS.—

(A) To each eligible primary airport, as follows:

(i) $6 for each of the first 50,000 passengers enplaned at that airport;

(ii) $4 for each of the next 50,000 passengers enplaned at that airport;

(iii) $2 for each of the next 400,000 passengers enplaned at that airport; and

(iv) $.50 for each additional passenger enplaned at that airport.

(B) The Secretary may not apportion more than $10,000,000 under paragraph (1) of this subsection for any single airport for any fiscal year.

(C) In no event may the total amount of all apportionments under paragraph (1) of this subsection for any fiscal year exceed 50 percent of the amount authorized to be obligated for such fiscal year for the purposes of section 6 of this Act. In any case in which an apportionment would be reduced by the preceding sentence, the Secretary shall for such fiscal year reduce the apportionment to each eligible primary airport under this paragraph proportionately so that such 50 percent amount is achieved.

(D) If any Act of Congress has the effect of limiting or reducing the amount authorized or available to be obligated for any fiscal year for the purposes of section 6 of this Act, the total amount of all apportionments under paragraph (1) of this subsection for such fiscal year shall not exceed 50 percent of such limited or reduced amount. In any case in which an apportionment would be reduced by the preceding sentence, the Secretary shall for such fiscal year reduce the apportionment to each eligible primary airport under paragraph (1) of this subsection proportionately so that such 50 percent amount is achieved.

(2) PRIMARY HUBS.—

(A) For each primary hub as follows: $.50 for each passenger enplaned at each commercial service airport which is a part of the air traffic hub.

(B) The Secretary may not apportion more than $5,000,000 under paragraph (2) of this subsection to any single primary hub for any fiscal year.

(C) In no event may the total amount of all apportionments under paragraph (2) of this subsection for any fiscal year exceed 20 percent of the amount authorized to be obligated for such fiscal year for the purposes of section 6 of this Act. In any case in which an apportionment would be reduced by the preceding sentence, the Secretary shall for such fiscal year reduce the apportionment to each primary hub under paragraph (2) of this subsection proportionately so that such 20 percent amount is achieved.

(D) If any Act of Congress has the effect of limiting or reducing the amount authorized or available to be obligated for any fiscal year for the purposes of section 6 of this Act, the total amount of all apportionments under paragraph (2) of this subsection for such fiscal year shall not

exceed 20 percent of such limited or reduced amount. In any case in which an apportionment would be reduced by the preceding sentence, the Secretary shall for such fiscal year reduce the apportionment of each primary hub under paragraph (2) of this subsection proportionately so that such 20 percent amount is achieved.

(3) APPORTIONMENTS TO STATES, PUERTO RICO, AND INSULAR AREAS.—

(A) To the several States and to the Commonwealth of Puerto Rico, Guam, American Samoa, the Government of the Northern Mariana Islands, the Trust Territory of the Pacific Islands, and the Virgin Islands for eligible airports other than: (I) reliever airports which are public airports and which are part of a primary hub; (II) commercial service airports which are part of a primary hub; (III) primary airports; and (IV) airports that are ineligible to receive Federal assistance under the provisions of section 23(a) or 23(b) of this Act:

(i) $75,000,000 for fiscal year 1981; $80,000,000 for fiscal year 1982; $85,000,000 for fiscal year 1983; $90,000,000 for fiscal year 1984; and

$95,000,000 for fiscal year 1985 to be apportioned as follows:

(I) Puerto Rico, and Insular Areas. One percent of such amounts to the Commonwealth of Puerto Rico, Guam, American Samoa, the Government of the Northern Mariana Islands, the Trust Territory of the Pacific Islands, and the Virgin Islands.

(II) States. One-half of the remaining 99 percent in the proportion which the population of each State bears to the total population of all the States and one-half of the remaining 99 percent in the proportion which the area of each State bears to the total area of all the States. As used in paragraph (3) of this subsection, the term "population" means the population according to the latest decennial census of the United States and the term "area" includes both land and water.

(ii) In addition $150,000 shall be apportioned to each State for each commercial service airport located within the State

which is included for the purpose of apportioning funds under paragraph (3)(A) of this subsection.

(B) In no event may the total amount of all apportionments under paragraph (3) of this subsection for any fiscal year exceed 20 percent of the amount authorized to be obligated for such fiscal year for the purposes of section 6 of this Act. In any case in which an apportionment would be reduced by the preceding sentence, the Secretary shall for such fiscal year reduce the apportionment to each State and to the Commonwealth of Puerto Rico, Guam, American Samoa, the Government of the Northern Mariana Islands, the Trust Territory of the Pacific Islands, and the Virgin Islands, under paragraph (3) of this subsection proportionately so that such 20 percent amount is achieved.

(C) If any Act of Congress has the effect of limiting or reducing the amount authorized or available to be obligated for any fiscal year for the purposes of section 6 of this Act, the total amount of all apportionments under paragraph (3) of this subsection for such fiscal year shall not exceed 20 percent of such limited or reduced

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amount. In any case in which an apportionment would be reduced by the preceding sentence, the Secretary shall for such fiscal year reduce the apportionment to each State and to the Commonwealth of Puerto Rico, Guam, American Samoa, the Government of the Northern Mariana Islands, the Trust Territory of the Pacific Islands and the Virgin Islands, under paragraph (3) of this subsection proportionately so that such 20 percent amount is achieved.

(4) DISCRETIONARY FUND.—Any amounts not apportioned under paragraphs (1), (2), and (3) of this subsection shall constitute a discretionary fund to be distributed at the discretion of the Secretary through project- and block-grants for such projects at eligible airports as the Secretary considers most appropriate for carrying out the purposes of this Act: *Provided*, That—

(A) In the case of eligible reliever airports, no less than $225,000,000 of the funds apportioned to primary hubs pursuant to paragraph (2) of this subsection and the funds apportioned to the discretionary fund of the Secretary pursuant to paragraph (4) of this subsection shall be distrib-

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uted to such reliever airports during the period from October 1, 1980 to September 30, 1985.

(B) In the case of public airports that are not primary airports and that received Federal assistance for fiscal year 1980 under section 15(a)(3) of the Airport and Airway Development Act of 1970, as amended, and that are not eligible to receive assistance from a participating State under this Act—

(i) the Secretary shall promulgate regulations identifying high priority projects that would significantly increase the safety or capacity of such airports, and

(ii) during the period from October 1, 1980 to September 30, 1985, the Secretary shall make available to each such airport an amount from the discretionary fund that equals the sum of (I) the United States share of the costs of such high priority projects at such airport up to an amount equal to five times the minimum amount apportioned to such airport for fiscal year 1980 under section 15(a)(3) of the Airport and Airway Development Act of 1970, as amended, and (II)

such additional funds as the Secretary, in his discretion, considers appropriate.

(C) In the case of eligible public airports other than reliever or commercial service airports, no less than $275,000,000 of the funds apportioned to the States pursuant to paragraph (3) of this subsection and the funds apportioned to the discretionary fund of the Secretary pursuant to paragraph (4) of this subsection shall be distributed to such public airports during the period from October 1, 1980 to September 30, 1985.

(D) After September 30, 1981, no funds from such discretionary fund shall be distributed to any airport that is ineligible to receive such Federal assistance under section 23(a) or 23(b) of this Act.

(5) Notwithstanding paragraphs (1), (2) and (3) of this subsection, the Secretary may apportion funds for eligible airports in the State of Alaska in the same manner in which such funds were apportioned in fiscal year 1980 under section 15(a) of the Airport and Airway Development Act of 1970. In no event may the total amount apportioned for such eligible airports pursuant to this paragraph in any fiscal year be less than the minimum amounts that were required to be

apportioned to such airports in fiscal year 1980 under section 15(a)(3)(A) of the Airport and Airway Development Act of 1970.

(c) For the purposes of this section, all apportionments for any fiscal year which are determined by the number of passengers enplaned shall be based on the number of passengers enplaned during the preceding calendar year.

USE OF APPORTIONED FUNDS; MISCELLANEOUS CONDITIONS

SEC. 9. (a) DURATION OF AVAILABILITY.—

(1) Each amount apportioned under sections 8 (b)(1), (b)(2), and (b)(3) of this Act shall be available for obligation by project-grant or block-grant agreement, as the case may be, during the fiscal year for which it was first authorized to be obligated and the 2 fiscal years immediately following. Any amount so apportioned which has not been obligated within such time shall be added to the discretionary fund established by section 8(b)(4) of this Act.

(2) Nothing in this subsection shall be construed as authorizing the obligation of any funds to an airport that is ineligible to receive such Federal assistance under the provisions of section 23(a) or 23(b) of this Act.

(b) MISCELLANEOUS CONDITIONS.—

(1) The following conditions apply to apportionments made under section 8(b)(1):

(A) Funds apportioned to a sponsor under section 8(b)(1) of this Act may be used at any public airport of such sponsor which is in the national airport system plan, except that after September 30, 1981, no such funds may be used at an airport that is ineligible to receive such Federal assistance under the provisions of section 23(a) or 23(b) of this Act.

(B) A sponsor may enter into an agreement with the Secretary whereby the sponsor waives receipt of all or part of the funds apportioned to it under such section on the condition that, at the election of the sponsor, the Secretary either—

(i) make the waived amount available for an approved project-grant to the sponsor of another eligible public airport which is a part of the same State or the same geographical area as the airport of the sponsor making the waiver, or

(ii) supplement by the waived amount any block-grant made to the State in which the airport of the sponsor making the waiver is located for use at any eligible public-use

airport included in the national airport system plan and identified in the consolidated improvement plan of such State.

(2) The following conditions apply to apportionments made under section 8(b)(2):

(A) Prior to the distribution of any funds apportioned under section 8(b)(2) of this Act, the owner or operator of each eligible commercial service airport and the owner or operator of each eligible reliever airport which is a public airport, whose airports are a part of the same primary hub, shall have submitted jointly to the Secretary a consolidated improvement plan and an annual expenditure program. In addition, such owners and operators must certify that: (i) there is in existence a current airport system plan for such hub prepared by the public agency responsible for airport system planning for such hub; and (ii) the consolidated improvement plan and the annual expenditure program are consistent with such system plan, were prepared in cooperation with the public agency which prepared such system plan, and are consistent with the objectives of this Act as stated in sections 2 and 10 of this Act.

(B) Funds apportioned under section 8(b)(2) of this Act shall be distributed by the Secretary pursuant to project-grant agreements, in accordance with the annual expenditure program.

(C) Notwithstanding subparagraph (B) of this paragraph, an annual expenditure program for a primary hub may provide for the waiver of all or part of the funds apportioned to such hub, on the condition that the Secretary supplement, by the waived amount, any block-grant made to the State or States in which such hub is located. Amounts so waived may only be used for projects at eligible public-use airports included in the national airport system plan which are in the annual expenditure program of such hub.

(3) The following conditions apply to apportionments made under section 8(b)(3):

(A) AUTHORIZATION FOR STATE PARTICIPATION.—Upon application to the Secretary, a State may be authorized to receive a block-grant from funds apportioned under section 8(b)(3) of this Act. The Secretary may make such authorization upon finding that—

(i) the applicant State has an agency or organization capable of administering a

block-grant. The Secretary shall make such determination upon consideration of the resources available to the applicant State's designated agency or organization, in accordance with such regulations as the Secretary may prescribe;

(ii) the State has adopted a State airport system plan consistent with such criteria as the Secretary may require;

(iii) the State has submitted a consolidated improvement plan, and an annual expenditure program acceptable to the Secretary;

(iv) the State has certified that—

(I) it will submit annually a revised consolidated improvement plan consistent with the State's airport system plan;

(II) it will submit annually for the Secretary's approval an annual expenditure program;

(III) it will administer the distribution of the block-grant in accordance with the current consolidated improve-

ment plan and the approved annual expenditure program;

(IV) it will enforce compliance with assurances received from those to whom it distributes funds apportioned under section 8(b)(3) of this Act;

(V) it will monitor compliance with outstanding assurances under the Federal Airport Act, Airport and Airway Development Act of 1970, as amended, and Surplus Property Act of 1944 at all airports which are eligible to receive funds apportioned under section 8(b)(3) of this Act and will report to the Secretary any noncompliance with such assurances;

(VI) it has given notice to the sponsors of those airports located within the State which would be eligible to recieve assistance from a particıpating State that it intends to apply for a block-grant under this Act;

(VII) it will collect and provide any safety data regarding public-use

airports within the State as may be required by the Secretary;

(VIII) it will provide the Secretary with such planning data as may be required by the Secretary for eligible airports located within the State and included in the national airport system plan; and

(IX) it will submit such environmental information regarding its consolidated improvement plan and its annual expenditure program as the Secretary may require;

(v) the State has, through appropriate legislative action, agreed to participate in the block-grant program under this Act, designated the State official or agency that will have responsibilty for administering such program, and agreed to obligate State funds for airport development in an amount at least equal to 10 percent of the amount of Federal block-grant funds awarded to such State under section 6 of this Act; and

(vi) the State has provided reasonable assurance that Federal funds apportioned to

the State under section 8(b)(3) will be used to supplement and increase the level of State, local, and other non-Federal funds that would in the absence of such Federal funds be made available for allowable project costs as set forth in section 15 of this Act, and will in no event replace such State, local, and other non-Federal funds.

The Secretary may revoke such authorization upon finding that the State has not submitted an acceptable annual expenditure program or otherwise has not fulfilled the conditions of subparagraph (3)(A) of this section or the certifications given pursuant thereto.

(B) DISTRIBUTION OF FUNDS IN PARTICIPATING STATES.—The designated public agency of any participating State (authorized pursuant to the provisions of section 9(b)(3)(A) of this Act) may apply to the Secretary for a block-grant from funds apportioned to such State under section 8(b)(3) of this Act.

(C) DISTRIBUTION OF FUNDS IN NONPARTICIPATING STATES.—The owner or operator of an eligible airport described in section 8(b)(3)(A) that is located in a State (or equivalent jurisdic-

tion) other than a participating State may apply to the Secretary for project-grants for airport development or airport planning from funds apportioned to such nonparticipating State or equivalent jurisdiction.

(D) USE OF BLOCK-GRANT FUNDS.—

(i) A participating State may not apply funds apportioned under section 8(b)(3) of this Act to the administrative costs incurred by such State in making project grants.

(ii) A participating State shall be entitled to apply not more than 1.5 percent of its annual apportionment under section 8(b)(3) of this Act to upds ng its State airport system plan.

(iii) All other funds apportioned to such participating State under section 8(b)(3) may be obligated or expended only in accordance with this Act for projects of airport development or airport planning at eligible airports described in section 8(b)(3)(A).

(c) NOTICE OF APPORTIONMENT.—The Secretray shall give notice to the owners or operators of eligible primary airports, the Governor of each State or the chief executive officer of the equivalent jurisdiction, the owners or operators

of eligible commercial service airports which are part of primary hubs, and the owners or operators of eligible reliever airports which are public airports and are part of primary hubs, as the case may be, as soon as possible after April 1 of each year of the estimated amount of the apportionment to be made on October 1 of that year.

TRANSPORTATION PLANNING

SEC. 10. It is declared to be in the national interest to encourage and promote the development of transportation systems embracing various modes of transportation in a manner that will serve the States and local communities efficiently and effectively. To accomplish this objective, the Secretary shall cooperate with State and local officials in the development of airport plans and programs which are formulated on the basis of overall transportation needs and coordinated with other transportation planning with due consideration to comprehensive long-range land-use and access plans and overall social, economic, environmental, system performance, and energy conservation goals and objectives. The process shall be continuing, cooperative, and comprehensive to the degree appropriate based on the complexity of the transportation problems.

SUBMISSION AND APPROVAL OF PROJECT-GRANT AND BLOCK-GRANT APPLICATIONS

SEC. 11. (a) SUBMISSION.—

(1) PROJECT-GRANT APPLICATION.—Subject to the provisions of this paragraph, the sponsor of any eligible public-use airport (other than an airport described in subsection 8(b)(3)(A) that is located in a participating State) may submit to the Secretary a project-grant application for one or more projects, in a form and containing such information as the Secretary may prescribe, setting forth the project or projects proposed to be undertaken. No project-grant application shall propose airport development or airport planning except in connection with public-use airports included in the current national airport system plan prepared pursuant to section 4 of this Act.

(2) BLOCK-GRANT APPLICATION.—Subject to the provisions of this paragraph, the designated public agency of any participating State may submit to the Secretary an application for a block-grant, in a form and containing such information as the Secretary may prescribe. No block-grant application shall propose airport development or airport planning except in connection with eligible public-use airports described in subsection 8(b)(3)(A) that are included in the State's current State airport system plan or in the national airport system plan. In the case of public-use airports which are not public airports, no such development or

planning may be proposed except in connection with reliever airports included in the current national airport system plan prepared pursuant to section 4 of this Act. Nothing in this subsection shall authorize the submission of a project-grant or block-grant application by any public agency which is subject to the law of any State if the submission of such application by the public agency is prohibited by the law of that State. All proposed airport development shall be in accordance with standards established or approved by the Secretary, including standards for site location, airport layout, site preparation, paving, lighting, and safety of approaches.

(b) APPROVAL.—

(1) PROJECT-GRANT APPLICATIONS.—

(A) No project-grant application may be approved by the Secretary unless the Secretary is satisfied that—

(i) the project is consistent with the objectives of this Act as stated in sections 2 and 10 of this Act;

(ii) the project is substantially consistent with plans (existing at the time of approval of the project) of public agencies authorized by the State in which such airport is located to plan for the development of the area in

which the airport is located and will contribute to the accomplishment of the purposes of this Act;

(iii) sufficient funds are available for that portion of the project costs which are not to be paid by the United States under this Act;

(iv) the project will be completed without undue delay;

(v) the sponsor which submitted the project-grant application has legal authority to engage in the project as proposed; and

(vi) all project sponsorship requirements prescribed by or under the authority of this Act have been or will be met.

(B) No project-grant application for airport development may be approved by the Secretary unless the sponsor or a public agency or the United States or an agency thereof holds good title, satisfactory to the Secretary, to the landing area of the airport or site therefor, or gives assurance satisfactory to the Secetary that good title will be acquired.

(C) No project-grant application for airport development may be approved by the Secretary

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which does not include provision for (i) land required for the installation of approach light systems; (ii) touchdown zone and centerline runway lighting; or (iii) high intensity runway lighting, when it is determined by the Secretary that any such items are required for the safe and efficient use of the airport by aircraft, taking into account the type and volume of traffic utilizing the airport.

(D) No project-grant application for airport development may be approved unless the Secretary is satisfied that fair consideration has been given to the interest of communities in or near which the project may be located.

(E) It is declared to be national policy that airport development projects authorized pursuant to this Act shall provide for the protection and enhancement of the natural resources and the quality of the environment of the Nation. In implementing this policy, the Secretary shall consult with the Secretary of the Interior and the Administrator of the Environmental Protection Agency with regard to any project included in a project-grant application involving airport location, a major runway extension, or runway location which may have a significant impact on natural

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resources including, but not limited to, fish and wildlife, natural, scenic, and recreation assets, water and air quality, and other factors affecting the environment, and shall authorize no such project found to have significant adverse effect unless the Secretary shall render a finding, in writing, following a full and complete review, which shall be a matter of public record, that no feasible and prudent alternative exists and that all reasonable steps have been taken to minimize such adverse effect.

(F) HEARINGS.—

(i) No project-grant application for airport development involving the location of an airport, an airport runway, or a major runway extension may be approved by the Secretary unless the sponsor of the project certifies to the Secretary that there has been afforded the opportunity for public hearings for the purpose of considering the economic, social, and environmental effects of the airport location and its consistency with the goals and objectives of such planning as has been carried out by the community.

(ii) When hearings are held under clause (i) of this subparagraph, the project sponsor shall, when requested by the Secretary, submit a copy of the transcript to the Secretary.

(G) AIR AND WATER QUALITY.—

(i) No project-grant application for a project involving airport location, a major runway extension, or runway location may be approved unless the Governor of the State in which such project is to be located certifies in writing to the Secretary that there is reasonable assurance that the project will be located, designed, constructed, and operated so as to comply with applicable air and water quality implementation plans. In any case where such plans have not been approved and where applicable air and water quality standards have been promulgated by the Administrator of the Environmental Protection Agency, certification shall be obtained from that Administrator. Notice of certification or refusal to certify shall be provided within 60 days after the project appli-

cation has been received by the Governor or the Administrator.

(ii) The Secretary shall condition approval of any such project-grant application on compliance during construction and operation with applicable air and water quality standards.

(2) BLOCK-GRANT APPLICATIONS.—

(A) Except as otherwise provided, no block-grant application may be approved by the Secretary which does not condition receipt of such grant on the requirement that the participating State approve projects funded with such grants subject to the same conditions and requirements as would apply to the Secretary under this Act in approving project-grant applications.

(B) The provisions of subsection (b)(1)(B) of this section shall not be applicable to the approval by a participating State of a project for airport development at a public-use airport which is not a public airport. No project for airport development at such airport may be approved by a participating State unless such State is satisfied that good title to the landing area of the airport or site

therefor is held or will be acquired by the applicant for funds from such grant.

(c) STATE STANDARDS.—The Secretary is authorized to approve standards, other than standards for safety of approaches, established by a participating State for airport development at any public-use airport in such State which enplanes less than .01 percent of the total number of passengers enplaned annually at all commercial service airports, and, upon such approval, such State standards shall be the standards applicable to such airports in lieu of any comparable standard established under paragraph (a)(2) of this section. State standards approved under this subsection may be revised from time to time, as the State or the Secretary determines necessary, subject to approval of such revisions by the Secretary.

(d) ACCEPTANCE OF CERTIFICATION.—In determining compliance with the requirements of this Act and other Federal laws, the Secretary shall, to the greatest extent practicable consistent with the objectives of this Act or such other Federal laws, accept conclusionary certifications from participating States and sponsors that they have complied or will comply with all of the statutory, regulatory, and procedural requirements that are imposed in connection with a block-grant or project-grant under this Act or other Federal laws.

Acceptance by the Secretary of certification from a participating State or sponsor may be rescinded at any time.

(e) REQUIREMENT OF NOTICE.—Each eligible primary airport to which funds are apportioned under section 8(b)(1) of this Act must notify the Secretary, by such time and in a form containing such information as the Secretary may prescribe, of the fiscal year in which it intends to apply, by project-grant application, for such funds. If such an airport does not provide such notification, the Secretary may defer approval of any application for such funds until the fiscal year immediately following the fiscal year in which such application is submitted.

UNITED STATES SHARE OF PROJECT COSTS

SEC. 12. (a) GENERAL PROVISION.—Except as otherwise provided in this section, the United States share of allowable project costs payable on account of any project contained in an approved project-grant or block-grant application submitted in accordance with this Act shall not exceed 90 percent of the allowable project costs.

(b) PROJECTS AT CERTAIN PRIMARY AIRPORTS.—In the case of primary airports enplaning .25 percent or more of the total number of passengers enplaned annually at all commercial service airports, the United States share of the allowable project costs payable on account of any project con-

tained in an approved project-grant application shall not exceed 75 percent of the allowable project costs.

(c) PROJECTS IN PUBLIC LANDS STATES.—In the case of any State containing unappropriated and unreserved public lands and nontaxable Indian lands (individual and tribal) exceeding 5 percent of the total area of all lands therein, the United States share under subsection (a) of this section shall be increased by whichever is the smaller of the following percentages thereof: (1) 25 percent, or (2) a percentage equal to one-half of the percentage that the area of all such public and nontaxable Indian lands in the State is of its total area. In no event shall such United States share, as increased by this subsection, exceed the greater of (1) the percentage share determined under subsection (a) of this section, or (2) the percentage share applying on June 30, 1975, as determined under subsection 17(b) of the Airport and Airway Development Act of 1970, as amended.

PROJECT SPONSORSHIP

SEC. 13. (a) SPONSORSHIP.—As a condition precedent to approval of an airport development project contained in a project-grant application submitted under this Act, the Secretary shall receive assurances, in writing, satisfactory to the Secretary, that—

(1) the airport to which the project relates will be available for public use on fair and reasonable terms

and without unjust discrimination, including the requirement that (A) each air carrier, authorized by certificate or exemption to engage directly in air transportation pursuant to section 401, 402, 416 or 418 of the Federal Aviation Act of 1958, using such airport shall be subject to nondiscriminatory and substantially comparable rates, fees, rentals, and other charges and nondiscriminatory and substantially comparable rules, regulations, and conditions as are applicable to all such air carriers which make similar use of such airport and which utilize similar facilities, subject to reasonable classifications such as tenants or nontenants, and combined passenger and cargo flights or all cargo flights, and such classification or status as tenant shall not be unreasonably withheld by any airport provided an air carrier assumes obligations substantially similar to those already imposed on tenant air carriers, and (B) each fixed-based operator at such airport shall be subject to the same rates, fees, rentals, and other charges as are uniformly applicable to all other fixed-based operators making the same or similar uses of such airport utilizing the same or similar facilities;

(2) the airport and all facilities thereon or connected therewith will be suitably operated and main-

tained, with due regard to climatic and flood conditions;

(3) the aerial approaches to the airport will be adequately cleared and protected by removing, lowering, relocating, marking, or lighting or otherwise mitigating existing airport hazards and by preventing the establishment or creation of future airport hazards;

(4) appropriate action, including the adoption of zoning laws, has been or will be taken, to the extent reasonable, to restrict the use of land adjacent to or in the immediate vicinity of the airport to activities and purposes compatible with normal airport operations, including landing and takeoff of aircraft;

(5) all of the facilities of the airport developed with Federal financial assistance and all those usable for landing and takeoff of aircraft will be available to the United States for use by Government aircraft in common with other aircraft at all times without charge, except, if the use by Government aircraft is substantial, charge may be made for a reasonable share, proportional to such use, of the cost of operating and maintaining the facilities used;

(6) the airport operator or owner will furnish without cost to the Federal Government for use in connection with any air traffic control or navigation activi-

ties, or weather-reporting and communication activities related to air traffic control, any areas of land or water, or estate therein, or rights in buildings of the sponsor as the Secretary considers necessary or desirable for construction at Federal expense of space or facilities for such purposes;

(7) all project accounts and records will be kept in accordance with a standard system of accounting prescribed by the Secretary after consultation with appropriate public agencies;

(8) the airport operator or owner will maintain a fee and rental structure for the facilities and services being provided the airport users which will make the airport as self-sustaining as possible under the circumstances existing at that particular airport, taking into account such factors as the volume of traffic and economy of collection, except that no part of the Federal share of an airport development or airport planning project for which a grant is made under this Act or under the Federal Airport Act or the Airport and Airway Development Act of 1970, as amended, shall be included in the rate base in establishing fees, rates, and charges for users of that airport;

(9) the airport operator or owner will submit to the Secretary such annual or special airport financial

and operations reports as the Secretary may reasonably request;

(10) the airport and all airport records will be available for inspection by any duly authorized agent of the Secretary upon reasonable request;

(11) all revenues generated by the airport (or their equivalent amounts) will be expended for the capital or operating costs of the airport, the local airport system, or other local facilities which are owned or operated by the owner or operator of the airport and used for the transportation of passengers or property; and

(12) the airport operator or owner who receives a grant for the purchase of land for noise compatibility purposes which is conditioned on the disposal of the acquired land at the earliest practicable time will, subject to the retention or reservation of any interest or right therein necessary to insure that such land is used only for purposes which are compatible with the noise levels of the operation of the airport, use its best efforts to so dispose of such land. The proceeds of such dispositions shall be (A) refunded to the United States for the Trust Fund on a basis proportionate to the United States share of the cost acquisition of such land, or (B) reinvested in an approved project, pursu-

ant to such regulations as the Secretary shall prescribe.

To insure compliance with this section, the Secretary shall prescribe such project sponsorship requirements in regard to the airport to which the project relates as are consistent with the terms of this Act and as the Secretary considers necessary. Among other steps to insure compliance, the Secretary is authorized to enter into contracts with public agencies on behalf of the United States. Whenever the Secretary obtains from a sponsor any area of land or water, or estate therein, or rights in buildings of the sponsor and constructs space or facilities thereon at Federal expense, the Secretary is authorized to relieve the sponsor from any contractual obligation entered into under this Act, the Airport and Airway Development Act of 1970, as amended, or the Federal Airport Act to provide free space in airport buildings to the Federal Government to the extent the Secretary finds that space no longer required for the purposes set forth in paragraph (6) of this subsection.

(b) CONSULTATION.—In making a decision to undertake any airport development project under this Act, each sponsor of an airport shall undertake reasonable consultations with affected parties using the airport at which such project is proposed.

GRANT AGREEMENTS

SEC. 14. Upon approving a project-grant or block-grant application, the Secretary, on behalf of the United States, shall transmit to the sponsor or sponsors of the project-grant or block-grant application an offer to make a grant for the United States share of allowable project costs. Such offer shall be made upon such terms and conditions as the Secretary considers necessary to meet the requirements of this Act and any regulations prescribed thereunder. Each offer shall state a definite amount as the maximum obligation of the United States payable from funds made available to carry out the provisions of this Act, and shall stipulate the obligations to be assumed by the sponsor or sponsors. In any case where the Secretary approves a project-grant application for a project which (1) will not be completed in 1 fiscal year, and (2) will not be accomplished at an airport described in section 23(a) or 23(b) of this Act, the offer shall, upon request of the sponsor, provide for the obligation of funds apportioned or to be apportioned to the sponsor pursuant to section 8(b)(1) of this Act for such fiscal years (including future fiscal years) as may be necessary to pay the United States share of the cost of such project. If and when an offer is accepted in writing by the sponsor, the offer and acceptance shall comprise an agreement constituting an obligation of the United States and of the sponsor. Thereafter, in the case of a project for airport

development, the amount stated in the accepted offer as the maximum obligation of the United States may not be increased by more than 10 percent. Unless and until an agreement has been executed, the United States may not pay, nor be obligated to pay, any portion of the costs which have been or may be incurred.

PROJECT COSTS

SEC. 15. (a) ALLOWABLE PROJECT COSTS.—Except as provided in section 16 of this Act, the United States may not pay, nor be obligated to pay, from amounts made available to carry out the provisions of this Act, any portion of a project cost incurred in carrying out a project for airport development or airport planning unless the Secretary has first determined that the cost is allowable. A project cost is allowable if—

(1) it was a necessary cost incurred in accomplishing an approved project in conformity with the terms and conditions of the grant agreement entered into in connection with the project, including any costs incurred by a recipient in connection with any audit required by the Secretary pursuant to section 20(b) of this Act;

(2) it was incurred subsequent to the execution of the grant agreement with respect to the project, and in connection with airport development or airport plan-

ning accomplished under the project after the execution of the agreement. However, the allowable costs of a project for airport development may include any necessary costs of formulating the project (including the costs of field surveys and the preparation of plans and specifications, the acquisition of land or interests therein or easements through or other interests in airspace, and any necessary administrative or other incidental costs incurred by the sponsor specifically in connection with the accomplishment of the project for airport development, which would not have been incurred otherwise) which were incurred subsequent to May 13, 1946;

(3) in the opinion of the Secretary it is reasonable in amount, and if the Secretary determines that a project cost is unreasonable in amount, the Secretary may allow as an allowable project cost only so much of such project cost as the Secretary determines to be reasonable, except that in no event may the Secretary allow project costs in excess of the definite amount stated in the grant agreement, and

(4) it has not been included in any other project for airport planning or airport development for which Federal assistance has been granted.

The Secretary is authorized to prescribe such regulations, including regulations with respect to the auditing of project costs, as the Secretary considers necessary to accomplish the purposes of this section.

(b) TERMINAL DEVELOPMENT.—

(1) Notwithstanding the provisions of subsection (c) of this section, upon certification by the sponsor of any commercial service airport that such airport has, on the date of submittal of the project-grant application, all the safety equipment required for certification of such airport under section 612 of the Federal Aviation Act of 1958, as amended, all the security equipment required by rule or regulation, and has provided for access to the passenger enplaning and deplaning area of such airport to passengers enplaning or deplaning from aircraft providing scheduled service, the Secretary may approve, as an allowable project cost of a project for airport development at such airport, terminal development (including multimodal terminal development) in nonrevenue producing public-use areas if such project cost is directly related to the movement of passengers and baggage in air commerce within the boundaries of the airport, including, but not limited to, vehicles for the movement of passengers between ter-

minal facilities or between terminal facilities and aircraft.

(2) No more than 60 percent of the sums apportioned under section 8(b)(1) of this Act to an eligible primary airport for any fiscal year may be obligated at such airport for project costs allowable under paragraph (1) of this subsection. No more than $200,000 of the sums apportioned under section 8(b) (2) and (3) for any fiscal year may be used by the sponsor of a commercial service airport which is not a primary airport for project costs allowable under paragraph (1) of this subsection.

(3) Notwithstanding any other provisions of this Act, the United States share of project costs allowable under paragraph (1) of this subsection shall not exceed 50 percent.

(4) The Secretary shall approve project costs allowable under paragraph (1) of this subsection under such terms and conditions as may be necessary to protect the interests of the United States.

(c) COSTS NOT ALLOWED.—Except as provided in subsection (b) of this section, the following are not allowable project costs: (1) the cost of construction of that part of an airport development project intended for use as a public parking facility for passenger automobiles; or (2) the cost of con-

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struction, alteration, or repair of a hangar or of any part of an airport building except such of those buildings or parts of buildings intended to house facilities or activities directly related to the safety of persons at the airport.

PAYMENTS UNDER GRANT AGREEMENTS

SEC. 16. (a) PROJECT-GRANT AGREEMENTS.—The Secretary, after consultation with the sponsor with which a project-grant agreement has been entered into, may determine the times and amounts in which payments shall be made under the terms of such agreement. Payments in an aggregate amount not to exceed 90 percent of the United States share of the total estimated allowable project costs may be made from time to time in advance of accomplishment of the airport project to which the payments relate, if the sponsor certifies to the Secretary that the aggregate expenditures to be made from the advance payments will not at any time exceed the cost of the airport development work which has been performed up to that time.

(b) BLOCK-GRANT AGREEMENTS.—The Secretary, after entering into a block-grant agreement with a State, shall make payment to such State of the United States share of the allowable project costs of projects contained in the approved annual expenditure program. Such payment may be effected through a letter of credit system.

(c) PROJECT-GRANT AND BLOCK-GRANT AGREEMENTS.—If the Secretary determines that the aggregate amount of payments made under a project-grant or block-grant agreement at any time exceeds the United States share of the total allowable project costs, the United States shall be entitled to recover the excess. If the Secretary finds that any airport development to which the advance payments relate has not been accomplished within a reasonable time or the project is not completed, the United States may recover any part of the advance payment for which the United States received no benefit. Payments under a project-grant or block-grant agreement shall be made to the official or depository authorized by law to receive public funds and designated by the sponsor.

PERFORMANCE OF CONSTRUCTION WORK

SEC. 17. (a) REGULATIONS.—The construction work on any project for airport development contained in an approved project-grant application submitted in accordance with this Act shall be subject to inspection and approval by the Secretary and shall be in accordance with regulations prescribed by the Secretary. Such regulations shall require such cost and progress reporting by the sponsor or sponsors of such project as the Secretary shall deem necessary. No such regulation shall have the effect of altering any contract

in connection with any project entered into without actual notice of the regulation.

(b) MINIMUM RATES OF WAGES.—All contracts in excess of $2,000 for work on projects for airport development approved under this Act which involve labor shall contain provisions establishing minimum rates of wages, to be predetermined by the Secretary of Labor, in accordance with the Davis-Bacon Act, as amended (40 U.S.C. 276a—276a-5), which contractors shall pay to skilled and unskilled labor, and such minimum rates shall be stated in the invitation for bids and shall be included in proposals or bids for the work.

(c) VETERANS PREFERENCE.—All contracts for work on projects for airport development approved under this subchapter which involve labor shall contain such provisions as are necessary to insure that, in the employment of labor (except in executive, administrative, and supervisory positions), preference shall be given to veterans of the Vietnam era and disabled veterans. However, this preference shall apply only where the individuals are available and qualified to perform the work to which the employment relates. For the purposes of this subsection—

(1) a Vietnam era veteran is an individual who served on active duty as defined by section 101(21) of title 38 of the United States Code in the Armed Forces for a period of more than 180 consecutive days

any part of which occurred during the period beginning August 5, 1964, and ending May 7, 1975, and who was separated from the Armed Forces under honorable conditions; and

(2) a disabled veteran is an individual described in section 2108(2) of title 5 of the United States Code.

USE OF GOVERNMENT-OWNED LANDS

SEC. 18. (a) REQUESTS FOR USE.—Subject to the provisions of subsection (c) of this section, whenever the Secretary determines that use of any lands owned or controlled by the United States is reasonably necessary for carrying out a project under this Act at a public airport, or for the operation of any public airport, including lands reasonably necessary to meet future development of an airport in accordance with the national airport system plan, the Secretary shall file with the head of the department or agency having control of the lands a request that the necessary property interests therein be conveyed to the public agency sponsoring the project in question or owning or controlling the airport. The property interest may consist of the title to, or any other interest in, land or any easement through or other interest in airspace.

(b) MAKING OF CONVEYANCES.—Upon receipt of a request from the Secretary under this section, the head of the department or agency having control of the lands in question shall determine whether the requested conveyance is incon-

sistent with the needs of the department or agency, and shall notify the Secretary of the determination within a period of 4 months after receipt of the Secretary's request. If the department or agency head determines that the requested conveyance is not inconsistent with the needs of that department or agency, the department or agency head is hereby authorized and directed, with the approval of the Attorney General of the United States, and without any expense to the United States, to perform any acts and to execute any instruments necessary to make the conveyance requested. A conveyance may be made only on the condition that, at the option of the Secretary, the property interest conveyed shall revert to the United States in the event that the lands in question are not developed for airport purposes or used in a manner consistent with the terms of the conveyance. If only a part of the property interest conveyed is not developed for airport purposes, or used in a manner consistent with the terms of the conveyance, only that particular part shall, at the option of the Secretary, revert to the United States.

(c) EXEMPTION OF CERTAIN LANDS.—Unless otherwise specifically provided by law, the provisions of subsections (a) and (b) of this section shall not apply with respect to lands owned or controlled by the United States within any national park, national monument, national recreation area, or similar area under the administration of the National Park

Service; within any unit of the National Wildlife Refuge System or similar area under the jurisdiction of the United States Fish and Wildlife Service; or within any national forest or Indian reservation.

FALSE STATEMENTS

SEC. 19. Any officer, agent, or employee of the United States, or any officer, agent, or employee of any public agency, or any person, association, firm, or corporation who, with intent to defraud the United States—

(1) knowingly makes any false statement, false representation, or false report as to the character, quality, quantity, or cost of the material used or to be used, or the quantity or quality of the work performed or to be performed, or the costs thereof, in connection with the submission of plans, maps, specifications, contracts, or estimates of project costs for any project submitted to the Secretary for approval under this Act;

(2) knowingly makes any false statement, false representation, or false report or claim for work or materials for any project approved by the Secretary under this Act; or

(3) knowingly makes any false statement or false representation in any report or certification required to be made under this Act;

shall, upon conviction thereof, be punished by imprisonment for not to exceed 5 years, or by a fine of not to exceed $10,000, or by both.

ACCESS TO RECORDS

SEC. 20. (a) RECORDKEEPING REQUIREMENTS.—Each recipient of a grant under this Act shall keep such records as the Secretary may prescribe, including records which fully disclose the amount and the disposition by the recipient of the proceeds of the grant, the total cost of the plan or program in connection with which the grant is given or used, and the amount and nature of that portion of the cost of the plan or program supplied by other sources, and such other records as will facilitate an effective audit. The Secretary shall annually review the reporting and recordkeeping requirements under this Act to insure that such requirements are kept to the minimum level necessary for the proper administration of this Act.

(b) AUDIT AND EXAMINATION.—The Secretary and the Comptroller General of the United States, or any of their duly authorized representatives, shall have access for the purpose of audit and examination to any books, documents, papers, and records of the recipient that are pertinent to grants received under this Act. The Secretary may require, as a condition to receipt of a grant under this Act, that an appropriate audit be conducted by a recipient. The Secretary

may require appropriate audit and examination by participating States of any books, documents, papers, and records of any recipient of funds from a block-grant apportioned to such States under this Act.

(c) AUDIT REPORTS.—In any case in which an independent audit is made of the accounts of a recipient of a grant under this Act relating to the disposition of the proceeds of such grant or relating to the plan or program in connection with which the grant was given or used, the recipient shall file a certified copy of such audit with the Comptroller General of the United States not later than 6 months following the close of the fiscal year for which the audit was made. On or before April 15 of each year the Comptroller General shall report to the Congress describing the results of each audit conducted or reviewed by him under this section during the preceding fiscal year. The Comptroller General shall prescribe such regulations as are deemed necessary to carry out the provisions of this subsection.

(d) WITHHOLDING INFORMATION.—Nothing in this section shall authorize the withholding of information by the Secretary or the Comptroller General of the United States, or any officer or employee under the control of either of them, from the duly authorized committees of the Congress.

(e) REPORTING REQUIREMENTS.—(1) The sponsor of any primary airport that is part of an air traffic hub and that

receives Federal assistance for an airport development project under this Act shall, no later than 90 days after the expiration of any fiscal year in which such airport received such assistance, document to the Comptroller General of the United States that adequate funding for such project is not available from sources other than Federal assistance. Such documentation shall be in such manner and form as the Comptroller General may prescribe, but at a minimum shall include a statement of assets and liabilities, capital and surplus or deficit; a statement of surplus or deficit analysis; and a statement of sources and application of funds. No later than July 1st of each calendar year, the Comptroller General shall transmit a copy of such documentation to the Congress, along with a report containing such comments and information as the Comptroller General may deem to be necessary to keep the Congress informed of the operations and financial condition of the sponsors of such airports and such recommendations with respect thereto as he may deem advisable. A copy of such documentation and reports shall be furnished to the Secretary at the time submitted to Congress.

(2) In order to insure the compatability of the documentation submitted pursuant to paragraph (1) of this subsection, the General Accounting Office shall, within 180 days after the date of enactment of this Act, develop a standard ac-

counting system to be used by airport sponsors in preparing such documentation.

GENERAL POWERS

SEC. 21. The Secretary is empowered to perform such acts, to conduct such investigations and public hearings, to issue and amend such orders, and to make and amend such regulations and procedures, pursuant to and consistent with the provisions of this Act, as the Secretary considers necessary to carry out the provisions of, and to exercise and perform the Secretary's powers and duties under this Act.

CIVIL RIGHTS

SEC. 22. The Secretary shall take affirmative action to assure that no person shall, on the grounds of race, creed, color, national origin, or sex, be excluded from participating in any activity conducted with funds received from any grant made under this Act. The Secretary shall promulgate such rules as the Secretary deems necessary to carry out the purposes of this section and may enforce this section, and any rules promulgated under this section, through agency and department provisions and rules which shall be similar to those established and in effect under title VI of the Civil Rights Act of 1964. The provisions of this section shall be considered to be in addition to and not in lieu of the provisions of title VI of the Civil Rights Act of 1964.

INELIGIBLE AIRPORTS

SEC. 23. (a)(1) Notwithstanding any other provision of law, after September 30, 1981, no obligation for airport development or airport planning may be incurred by the Secretary at any airport that enplaned more than 0.5 percent of the passengers enplaned in calendar year 1979 at all commercial service airports as set forth in paragraph (c)(1) of this section.

(2) Notwithstanding any other provision of law, after September 30, 1982, no obligation for airport development or airport planning may be incurred by the Secretary at any airport that enplaned more than .25 percent of the passengers enplaned in calendar year 1979 at all commercial service airports as set forth in paragraph (c)(2) of this section.

(b) For any fiscal year beginning after September 30, 1981, any airport that otherwise would be eligible to receive Federal assistance for airport development or airport planning under this Act may elect not to receive such assistance: *Provided,* That—

(1) such airport shall not be eligible to receive assistance for airport development or airport planning under this Act for that fiscal year or any subsequent fiscal year, and

(2) any airport that elects not to receive such assistance during a fiscal year notifies the Secretary of

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such election at least 60 days prior to the commencement of that fiscal year.

(c)(1) For the purposes of paragraph (a)(1) of this section, the airports that enplaned more than 0.5 percent of the passengers enplaned in calendar year 1979 at all commercial service airports are:

Airport name:	1979 Enplanements
Chicago-O'Hare International	22,370,594
The William B. Hartsfield Atlanta International	20,931,778
Los Angeles International	17,415,043
John F. Kennedy International	13,449,545
San Francisco International	11,423,527
Dallas-Fort Worth Regional	11,419,090
Miami International	9,904,756
Stapleton International	9,864,884
La Guardia	9,253,810
General Edward Lawrence Logan International	7,918,424
Honolulu International	7,455,315
Washington National	7,331,304
Detroit Metropolitan Wayne County	5,699,652
Lambert-Saint Louis International	5,670,344
Greater Pittsburgh International	5,611,763
Houston Intercontinental	5,540,827
McCarran International	5,185,217
Seattle-Tacoma International	5,159,088
Philadelphia International	5,156,704
Minneapolis-Saint Paul International/Wold-Chamberlain	4,815,359
Newark International	4,570,422
Tampa International	4,184,797
Cleveland-Hopkins International	3,843,412
Phoenix Sky Harbor International	3,599,012
San Diego International-Lindbergh Field	3,314,962
New Orleans International/Moisant Field	3,288,589
Orlando International	3,213,035
Kansas City International	3,203,450
Fort Lauderdale-Hollywood International	3,054,767
Puerto Rico International	2,886,652
Memphis International	2,624,494
Portland International	2,252,881
Salt Lake City International	2,229,021
Baltimore-Washington International	1,893,467
San Jose Municipal	1,840,625
Indianapolis International	1,784,361
Greater Buffalo International	1,765,739
General Mitchell Field	1,724,838
Dulles International	1,703,611
Bradley International	1,666,615

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(2) For the purposes of paragraph (a)(2) of this section, the airports that enplaned more than .25 percent of the total number of passengers enplaned in calendar year 1979 at all commercial service airports are:

Airport name:	1979 Enplanements
Chicago-O'Hare International	22,370,594
The William B. Hartsfield Atlanta International	20,931,778
Los Angeles International	17,415,043
John F. Kennedy International	13,449,545
San Francisco International	11,423,527
Dallas-Fort Worth Regional	11,419,090
Miami International	9,904,756
Stapleton International	9,864,884
La Guardia	9,253,810
General Edward Lawrence Logan International	7,918,424
Honolulu International	7,455,315
Washington National	7,331,304
Detroit Metropolitan Wayne County	5,699,652
Lambert-Saint Louis International	5,670,344
Greater Pittsburgh International	5,611,763
Houston Intercontinental	5,540,827
McCarran International	5,185,217
Seattle-Tacoma International	5,159,088
Philadelphia International	5,156,704
Minneapolis-Saint Paul International/Wold-Chamberlain	4,815,359
Newark International	4,570,422
Tampa International	4,184,797
Cleveland-Hopkins International	3,843,412
Phoenix Sky Harbor International	3,599,012
San Diego International-Lindbergh Field	3,314,962
New Orleans International/Moisant Field	3,288,589
Orlando International	3,213,035
Kansas City International	3,203,450
Fort Lauderdale-Hollywood International	3,054,767
Puerto Rico International	2,886,652
Memphis International	2,624,494
Portland International	2,252,881
Salt Lake City International	2,229,021
Baltimore-Washington International	1,893,467
San Jose Municipal	1,840,625
Indianapolis International	1,784,361
Greater Buffalo International	1,765,739
General Mitchell Field	1,724,838
Dulles International	1,703,611
Bradley International	1,666,615
Greater Cincinnati International	1,630,441
Douglas Municipal	1,613,951
Kahului	1,605,475
Sacramento Metropolitan	1,455,800

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Airport name:	1979 Enplanements
Cannon International	1,453,402
San Antonio International	1,443,799
Port Columbus International	1,402,752
Metropolitan Oakland International	1,369,846
Nashville Metropolitan	1,255,073
John Wayne Airport-Orange County	1,254,215
Albuquerque International	1,247,540
Burbank-Glendale-Pasadena	1,197,693
Lihue	1,193,515
Ontario International	1,188,940
Palm Beach International	1,183,203
Standiford Field	1,150,330
Anchorage International	1,142,621
Will Rogers World	1,141,158
Tulsa International	1,044,432
James M. Cox Dayton International	1,009,102
Tucson International	1,005,589
Eppley Airfield	1,002,694
Rochester-Monroe County	953,052
Syracuse Hancock International	944,457
Norfolk International	942,341
Raleigh-Durham	931,116
Jacksonville International	899,064
El Paso International	895,051
Spokane International	881,483

WAIVER OF CERTAIN OBLIGATIONS

SEC. 24. (a)(1) No later than July 1, 1980, the Secretary shall issue criteria and requirements pursuant to which the owner or operator of any airport that becomes ineligible to receive Federal assistance under this Act pursuant to the provisions of section 23(a) or 23(b) of the Act, may, at its option, terminate any existing assurances, requirements, or contractual obligations with the United States that arose from the acceptance of Federal assistance under, or that are contained in grant agreements, deeds, or other instruments of conveyance issued pursuant to, this Act, the Federal Airport Act of 1946 (49 U.S.C. 1101 et seq.), the Airport and

Airway Development Act of 1970 (49 U.S.C. 1711 et seq.) or the Surplus Property Act of 1944.

(2) If the owner or operator of an airport, pursuant to paragraph (1) of this subsection, elects to terminate a financial obligation owed to the United States, the Secretary is authorized to settle such obligation in an amount not exceeding the maximum obligation stated in the existing agreement, less any payments made thereon.

(3) Notwithstanding paragraphs (1) and (2) of this subsection, neither the owner or operator of an airport nor the Secretary may terminate any assurance specified in paragraphs (1) through (13) of section 13 of this Act or in paragraphs (1) through (10) of section 18 of the Airport and Airway Development Act of 1970 (49 U.S.C. 1718), as in effect on the date of enactment of this paragraph.

(4) Notwithstanding paragraphs (1) and (2) of this subsection, any airport that received or receives Federal assistance under this Act, the Federal Airport Act of 1946, the Airport and Airway Development Act of 1970 (49 U.S.C. 1711 et seq.) or the Surplus Property Act of 1944, either before or after the date of enactment of this paragraph, shall be available for public use on fair and reasonable terms and without unjust discrimination, including the requirement that (A) each air carrier, authorized by certificate or exemption to engage directly in air transportation pursuant to section 401,

402 or 418 of the Federal Aviation Act of 1958, using such airport shall be subject to such nondiscriminatory and substantially comparable rates, fees, rentals, and other charges and such nondiscriminatory and substantially comparable rules, regulations, and conditions as are applicable to all such air carriers which make similar use of such airport and which utilize similar facilities, subject to reasonable classifications such as tenants or nontenants, and combined passenger and cargo flights or all cargo flights, and such classification or status as tenant shall not be unreasonably withheld by any airport provided an air carrier assumes obligations substantially similar to those already imposed on tenant air carriers, and (B) each fixed-based operator at any airport shall be subject to the same rates, fees, rentals, and other charges as are uniformly applicable to all other fixed-based operators making the same or similar use of such airport utilizing the same or similar facilities.

(b) No State or political agency of one or more States shall enact or enforce any law, rule, regulation, standard, or other provision having the force and effect of law relating to (1) the operating safety of an airport subject to section 612 of the Federal Aviation Act of 1958 (49 U.S.C. 1432), or (2) any assurance, obligation, or requirement from which an airport owner or operator has been released by the Secretary under this section.

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(c) Notwithstanding any contract which is in existence on the effective date of this Act and which restricts the ability of an airport owner or operator to raise or impose charges on any air carrier, the owner or operator of an air carrier airport that becomes ineligible to receive Federal assistance under this Act pursuant to the provisions of section 23(a) or 23(b) may renegotiate rates, fees, rentals, or other charges paid by air carriers using the facilities of such airport in order to replace revenues which otherwise would have been available to such airport under this Act. All revenues that result from such renegotiation and all other revenues generated by any such airport shall be used exclusively for the capital or operating costs of the airport, the local airport system, or other local facilities which are owned or operated by the airport owner or operator and used for the transportation of passengers or property.

REPEALS; EFFECTIVE DATE; SAVING PROVISIONS; SEPARABILITY; AND APPLICABILITY OF ANTITRUST LAWS

SEC. 25. (a) REPEAL.—Except as otherwise provided in this Act, sections 1 through 30 of the Airport and Airway Development Act of 1970, as amended (49 U.S.C. 1701–1730), are repealed 30 days after the date of enactment of this Act.

(b) EFFECTIVE DATE.—The provisions of this Act shall enter into effect 30 days after the date of enactment of this Act.

(c) SAVING PROVISIONS.—

(1) All orders, determinations, rules, regulations, permits, contracts, certificates, licenses, grants, rights, and privileges which have been issued, made, granted, or allowed to become effective by the President, the Secretary, or any court of competent jurisdiction under any provision of the Airport and Airway Development Act of 1970, as amended, or the Federal Airport Act, as amended, which are in effect at the time this Act takes effect, are continued in effect according to their terms until modified, terminated, superseded, set aside, or repealed by the Secretary or by any court of competent jurisdiction, or by operation of law.

(2) Notwithstanding any other provision of this Act, amounts apportioned before October 1, 1980, pursuant to section 15(a)(3) of the Airport and Airway Development Act of 1970, as amended, and which have not been obligated by grant agreement before that date, shall remain available for obligation, for the duration of time specified in section 15(a)(5) of that Act, in accordance with the provisions of that Act, to the same extent as though that Act had not been re-

pealed; except that nothing in this paragraph shall be construed as authorizing the obligation of any amount at an airport that is ineligible to receive Federal assistance under this Act pursuant to the provisions of section 23(a) or 23(b).

(d) SEPARABILITY.—If any provision of this Act or the application thereof to any person or circumstance is held invalid, the remainder of the Act and the application of the provision to other persons or circumstances is not affected thereby.

(e) APPLICABILITY OF ANTITRUST LAWS.—Nothing in this Act shall relieve any person (including any owner or operator of any airport or any public agency acting in that capacity) from the operation of the antitrust laws, including the Sherman Act, the Clayton Act, and the Federal Trade Commission Act, each as amended, and the Federal Aviation Act of 1958, as amended.

REPORT TO CONGRESS ON AIRPORT AND AIRWAY TRUST FUND

SEC. 26. On or before the third day of January of each year, the Secretary shall transmit a report to the Congress describing the status of the revenues and expenditures of the Airport and Airway Trust Fund and its authorized programs and operations under this Act during the preceding fiscal year.

REPORT TO CONGRESS ON ABILITY OF NONELIGIBLE AIRPORTS TO FUND AIRPORT DEVELOPMENT

SEC. 27. The Secretary and the Comptroller General shall conduct separate studies of airports that will be ineligible to receive Federal assistance under the provisions of section 23(a) of 23(b) of this Act to determine the ability of such airports to replace the moneys they would otherwise receive as Federal assistance under this Act. Such studies shall:

(1) include determinations by the Secretary and the Comptroller General as to the ability of such airports to replace such Federal assistance by renegotiating rates or charges imposed upon air carriers utilizing such airports;

(2) include determinations by the Secretary and the Comptroller General as to the advisability of repealing section 1113 of the Federal Aviation Act of 1958 (49 U.S.C. 1513) in order to permit such airports to replace such Federal assistance by imposing a tax, fee, or head charge;

(3) include determinations by the Secretary and the Comptroller General as to the ability of such airports to replace such Federal assistance from other resources;

(4) identify any airports which the Secretary or the Comptroller General concludes would not be able

to replace such Federal assistance, identify what specific airport development projects such airports would be unable to fund, and include the data which led the Secretary or the Comptroller General to reach such conclusions; and

(5) include such recommendations for legislative or other action as the Secretary or the Comptroller General determines to be necessary.

The Secretary and the Comptroller General shall each transmit their respective study of the Congress not later than 9 months after the date of enactment of this Act.

STANDARDS FOR RUNWAY FRICTION

SEC. 28. The last sentence of section 612(b) of the Federal Aviation Act of 1958 (49 U.S.C. 1432(b)), is amended by inserting "(1)" immediately after the words "relating to" and by inserting the following immediately before the period at the end thereof ", and (2) such grooving or other friction treatment for primary and secondary runways as the Secretary determines to be necessary".

EQUAL AERONAUTICAL ACCESS

SEC. 29. (a) Section 308(a) of the Federal Aviation Act of 1958 (48 U.S.C. 1349(a)) is amended—

(1) by inserting "(1)" immediately after "(a)";

(2) by striking the last sentence thereof; and

(3) by adding at the end thereof the following new paragraph:

"(2) There shall be no exclusive right for the use of any landing area or air navigation facility upon which Federal funds have been expended. All airports upon which Federal funds have been expended shall be available for public use on fair and reasonable terms and without discrimination, and each such airport shall be open to all types, kinds, and classes of aeronautical use on fair and reasonable terms without discrimination among such types, kinds, and classes, including the requirement that each air carrier authorized by certificate or exemption to engage directly in air transportation pursuant to sections 401, 402, 416, or 418 of the Federal Aviation Act of 1958, using such airport shall be subject to such nondiscriminatory and substantially comparable rules, regulations, and conditions as are applicable to all such air carriers which make similar use of such airport and which utilize similar facilities, subject to reasonable classifications such as tenants or nontenants, and combined passenger and cargo flights or all cargo flights, and such classification or status as tenant shall not be unreasonably withheld by any airport provided an air carrier assumes obligations substantially similar to those already imposed on tenant air carriers.".

(b) Section 1007(a) of the Federal Aviation Act of 1958 (49 U.S.C. 1349(a), is amended by inserting the words "section 308(a)(2) or" before the words "section 401(a) of this Act".

Senator KASSEBAUM. Thank you very much.

It is a real pleasure to welcome Secretary of Transportation Drew Lewis and the Administrator at the FAA, Lynn Helms.

Mr. Secretary.

STATEMENTS OF HON. DREW LEWIS, SECRETARY, DEPARTMENT OF TRANSPORTATION; AND HON. J. LYNN HELMS, ADMINISTRATOR, FEDERAL AVIATION ADMINISTRATION

Secretary LEWIS. Thank you. First, with your permission, I would like to have my written statement be made a part of the record, and I would just like to make a few comments off the cuff.

First of all, Madam Chairman, thank you for having us here today. We are pleased to be here to testify on this bill. And thank you, Senator Packwood. I think you are overgenerous in terms of my participation in developing this compromise. I think Senator Kassebaum is really responsible for bringing this all together.

And as far as I am concerned, if this bill is passed as a compromise by the Senate and if it passes the Congress, I will be very strong in urging the President to support the bill in the administration. Obviously, both Lynn Helms and I will.

There are two or three parts of the bill, as you indicated, Madam Chairman, that concern us. Nonetheless, I think the compromise is reasonable. One is, we would like to have had 85 percent cost recovery on O. & M. And like you, we would like to have seen some defederalization. We are satisfied, however, in terms of the bill finally being passed, that these are not realistic. And, therefore, we are satisfied with the compromise you have reached.

There is also a very strong feeling within the administration in terms of general aviation's contribution to meeting the total needs of the system. We continue to feel that they are not paying their fair share. Nonetheless, if you are able to come up with a user fee of 12 and 14 cents without the 2 cents additional per year which we have recommended, we would support it from the administration's standpoint.

We feel the same way that Senator Packwood does in terms of the future safety of our airspace. It is vital that we start moving now, and also in terms of the much needed improvements to our Nation's airports.

We feel very strongly that you have done a fine job in compromise. As I think we said to a few people in your office the other day, we are all equally dissatisfied, so it must be a fair bill. And we would like to get on with it and see that it is passed.

Lynn Helms is going to stay for all of the proceeding here this morning, to the extent you want him, and he will be prepared to answer your technical questions. And unless there are questions for me after Lynn makes his statement, I would prefer to leave, with your approval.

[The statement follows:]

STATEMENT OF HON. DREW LEWIS, SECRETARY OF THE DEPARTMENT OF TRANSPORTATION

Madam Chairman and members of the subcommittee, thank you for this opportunity to appear before the Aviation Subcommittee and renew our request for reauthorization of the Airport and Airway Development Act and the user fees that sup-

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port it. With me is Federal Aviation Administrator Lynn Helms, who will explain our plans for modernization and revitalization of the nation's airway system over the next 20 years.

The airport development program, aviation user charges for aviation purposes, and appropriate funding of FAA airways programs must all be reactivated as soon as possible, to overcome the lapse in authority that occurred in October 1980. This lapse has distorted the application and use of aviation taxes, stymied advance planning by airports and state planning agencies throughout the country, and now threatens the FAA's plans to upgrade the nation's airway system.

As set forth in S. 508 and your recent proposal, renewal of the airport and airway development program and the underlying Trust Fund are a very good example of the kind of role the federal government should play in development of a national transportation system. This is a program with opportunity for strong State participation, particularly the new block-grant program in your bill, which would let States set their own priorities at the smaller airports.

Most important, this is a program funded by user fees. The Reagan Administration advocates that "the user pay", because it leads to efficient, cost-conscious programs, and because equity dictates that the direct beneficiary of a specific service should pay whenever practical, rather than the general taxpayer. There will always be disagreement over allocation of "direct benefit" versus "public benefit", that which should be paid for by the general taxpayer, but your proposal for 75-percent overall recovery of FAA costs is a dramatic improvement over past recovery of about 40 percent. The Administration is in the process of reacting to this proposal, as it compares to the 85-percent recovery level we have advocated.

Your Committee should be congratulated for seeking to resolve the "defederalization" issue that threatened to perpetuate lapse of these programs. I would like to assure you that the Administration will try to demonstrate flexibility in achieving an equitable resolution of this knotty issue. We have remained open to hearing from all parties on the need for adjustments on this question.

I know that a primary reason for this hearing is to obtain an explanation and justification for the higher Facilities and Equipment (F&E) and Research and Development (R,E&D) expenditure that the Administration seeks to carry out modernization of the nation's air traffic control network. With your permission, I would like to ask Lynn Helms to explain our reasons for this program and the approach we have settled on.

I would also be pleased to answer any questions you may have.

Senator KASSEBAUM. Thank you. I think we just have two brief questions.

Senator Packwood.

The CHAIRMAN. Drew, I just have one. In your statement you say that the Reagan administration advocates that the user pay because it leads to efficient, cost-conscious programs as far as this particular aspect is concerned. I agree with you. What I need is a pledge from you, and from Administrator Helms, that when we get this legislation in place, the user fees will be used. And that we are not going to use them to mount up a surplus in the trust fund in order to help balance the budget. That is not the point of user fees. They are to be used for the purpose for which they are intended.

Secretary LEWIS. We agree completely. And if there is any way you can lock us in in terms of the legislation, we would be pleased to be locked in so we are obligated, not only the two of us but whoever our successors should be.

We feel very strongly the money is needed. We do not see this as a budget balancer. And I am sure that Mr. Stockman will work with us, because he has accepted the need for the airports. As a matter of fact, I should point out, at the time I accepted the job as Secretary of Transportation, I asked the President two questions. And one was: Was he willing to make a commitment to the needs of the airspace in the future? So not only do we have a commitment from OMB, but also from the President of the United States

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The CHAIRMAN. Thank you.

Mr. HELMS. Senator, I would add on that just briefly that the Secretary and I recognize this is a sensitive issue, and he and I jointly discussed this directly with Mr. Stockman to insure that there was no misunderstanding. And Mr. Stockman did pledge to work with us across the board. So we do not feel we have any qualms at all.

The CHAIRMAN. It is a doubly sensitive issue. First, user fees are to be used for the purpose for which they are intended and not to be used for mounting up surpluses. Second, and even worse, the revenues should not go into the general fund or the highway trust fund from taxes levied on those who use the airways and the airports.

Mr. HELMS. It was that specific commitment which Mr. Stockman made that we would draw down the surplus and not let it go back up.

The CHAIRMAN. Good.

Senator KASSEBAUM. Mr. Secretary, I would just like to ask one brief question, or really two. In the legislation, one of the amendments that we are proposing, is the requirement that DOT within a year review suggestions for the implementation of defederalization, voluntary defederalization, and how it could be accomplished, if it could use a PFC and how that could be done. And it is something that I believe we all feel is important, that obviously this is a concept that we must continue to work toward.

Secretary LEWIS. And we are prepared to complete that study within 1 year, and we think it is consistent with both the needs of the future in terms of airports and also it is consistent with the philosophy of the President.

Senator KASSEBAUM. And before you leave, have you given any thought to how the Department of Transportation will monitor the national airspace systems program? This is certainly a large program in scope. And I believe that it would be very important to for it to be closely monitored.

Secretary LEWIS. It is going to be monitored both by our budget and administrative people within the Department of Transportation. But very obviously, the real strength of this program is going to be Administrator Lynn Helms, and we are really going to be counting on his expertise to see that the program is implemented.

Nonetheless, in terms of budgetary controls and in terms of the other controls we have to make certain the moneys are properly spent, we are prepared to monitor the program.

Senator KASSEBAUM. Thank you very much, Mr. Secretary, for coming. I think it shows the importance you attach to a sound and safe airspace and airport development system that you took the time from your very busy schedule just to come testify this morning for a brief few moments.

Secretary LEWIS. Thank you for having me.

Mr. HELMS. Madam Chairman, I request that my full statement be placed in the record, and I would make only three or four brief remarks in advance.

First, even though Senator Packwood and the Secretary have noted the Chairman's individual effort to achieve this compromise, I would like to underscore that also, because from my discussions,

it became apparent that while there was diversity among the community, there was unanimity that we must move forward. So the energy exercised by the Chairman in insuring that some positive step was taken, I think, is noteworthy, and I should call attention to it.

I strongly concur with the expressions of both the Chairman and the Senator. We absolutely must have a multiyear bill this time. The delay of 2 or 3 years is starting to have a very, very detrimental effect on the national airways, and we can no longer let this go.

There are three items I would like to highlight from my prepared statement. First, I would be remiss if I did not call attention to a group of people who, starting on August 3 of last year, have done an absolutely outstanding job in accomplishing what no outside observer thought could be done, which is to maintain the national airways system and keep the aircraft flying.

The controllers, technicians, all of the support personnel, flight service station specialists, all of those people who for 9 months have not only accepted the obligation but have continued to increase the throughput of aircraft with equal or better safety, deserve my acknowledgment. And I am very proud of them.

Second, as regards the plan itself, I should point out for the committee that the systems engineering approach was taken not just within the plan's content, but in approaching the overall aviation needs of the country. I will only briefly amplify that, and then perhaps your questions may explore it.

A systems engineer usually starts out by defining the longest leadtime subsystem, and once he has defined that, starts to build the rest of his schedule around it. For example, we can lay down a runway in about 2 years, maybe 3 years. We can put parking ramps on in another year. We can, in fact, lay out a complete airfield complex and build it in about 4 years.

Therefore, we found that we could defer the final decision as regards new airports, certainly new runways, to as late as 1985, and in some cases even 1986—without having to force ourselves into an early decision—and still meet the needs for the growth of the industry by 1988 and 1990.

Second, the proper use of the airspace, the cubic volume of air that rests over the country, is the second longest leadtime item.

And, three, when we start talking about changing procedures in the air, we have a very, very wide education program which we have to undertake, and we must examine it in great detail. And that would take some 42 months.

The longest leadtime item, however, is obviously the facilities and equipment. It was for that reason that we published first the national airspace system plan in greater detail. But we noted in there that the constraining influence is concrete. It will remain that way. And that is why as an individual I was particularly pleased to see the chairman's strong emphasis on runways and airports in the compromise version of the bill which you drew up.

Finally, I agree this bill is much like the national airspace system plan: no one gets exactly what they want, and no one is completely satisfied. But I happen to believe that all of us can live with it. And in fact, if we do not live with it, we are going to live in a much worse environment.

With that combination of very brief remarks, Madam Chairman, I am ready to respond to questions as the committee may desire.

Senator KASSEBAUM. Thank you very much.

Senator Packwood.

The CHAIRMAN. I just want to reemphasize the same question I asked the Secretary, and which I believe you answered also. If we pass this and if we allocate the money, do you want the money spent for the purposes for which it is intended and not for some other purposes?

Second, we want it spent, not just mounted up for the sake of balancing the budget. You have agreed that this would be a priority?

Mr. HELMS. Yes, sir; and I have discussed this with the Director of OMB, Mr. Stockman. Incidentally, from my viewpoint, Mr. Stockman has been most cooperative. And I told him I felt we had to draw the trust fund surplus down. He agreed. We agreed that we would not do something which would cause a significant detrimental impact on the country, that it would be drawn down over 3 years, and by the end of the third year, assuming all the programs come out, we will have the trust fund down.

He felt that for protection purposes, for each succeeding year, we should keep about a $1 billion balance. I agree with that, because no one can forecast economic activity quite that closely. So I am satisfied that we have agreement there.

The CHAIRMAN. I am not sure, Mr. Helms, that I agree with your lowering the priority of the taxiways and the runways. If this bill passes, there will be enough money in it to fund all parts of the system. I am talking not only about the airways, but also the taxiways, and the runways. There is a rather generous tax in this bill and I do not think we are going to have to downgrade one part of the system for another part of it.

Mr. HELMS. I did not mean to imply that there was any downgrading, Senator. If I left you that impression, I erred. What I was trying to note was that certain decisions could be delayed and not impact the total capacity time.

The CHAIRMAN. Certain ones can. But you cannot make a generalization about all the runways and say they can all be delayed 3 or 4 years. Maybe at some airports they can. At other airports they cannot and these airports are desperate to get going now.

Mr. HELMS. I strongly agree with that, Senator.

The CHAIRMAN. I have no other questions.

Thank you, Madam Chairman.

Senator KASSEBAUM. Mr. Helms, I read that several hardware and software companies have expressed concern over entering into long-term contracts with the FAA out of the fear that Congress will not appropriate sufficient funds to pay for them. Do you view this as a serious concern?

Mr. HELMS. Yes, Madam Chairman, I do. The companies have expressed individually, chief executive officers with their teams, that they are very much concerned. Because if we have only a 1- or 2- year bill, their concern is how do they go to their board of directors and justify large company expenditures toward a program which may not be authorized. They clearly recognize that the Congress

must have control over this program and therefore annual appropriations achieve that.

Conversely, they are extremely concerned that the Congress does not have sufficient recognition of the need for modernizing the airspace and building the airports and may hold up authorization of a longer term bill. So they are very concerned that we have an authorization of a longer term bill. In 1982, of course, we only have about one-quarter left, and we urge 5 years in addition, to provide authorization.

I am absolutely confident if we do not get a long-term bill out, we will see some element of withdrawal and not full competitive participation. It has me very much concerned.

Senator KASSEBAUM. Do you think that a direct contract program similar to the airport program would be a better way to go? Might it alleviate some of the concern that the companies have?

Mr. HELMS. I am not aware that the companies have any concern now that we have started to explain our new contracting procedure and what we are going to do. Incidentally, I have had extensive discussions with the Assistant Secretary for Administration working for Secretary Lewis to insure that he has an active role in reviewing FAA's procedures.

While I do not anticipate leaving in the next 12 months or anything like that, nevertheless, every human being does have some time when his heart stops or otherwise, and I want to make sure that there is adequate continuity within the Office of the Secretary, if I am not there.

Now back to the fundamental question. I believe that the representation made to me by the industrial firms is that with the new procurement methods which we are putting in, they have no hesitance there. Their concern is, are we serious, is this finally going to be the long-term bill or program that has been debated some 5 years. We talked today about 3 years. Many of them say 5 years. So I do not think I have any concerns about that.

I have had chief executive officers of the largest corporations in the United States come in to see me and make very positive statements. They are going to enter this competition. So I look for very vigorous competition.

Senator KASSEBAUM. Well, that is reassuring. The Office of Technology Assessment contends that the most significant capacity problems in the next 10 years will be caused by airport constraints and not by en route center problems. To what extent do you feel airport constraints will be a problem? And should greater emphasis be placed in the early years on air-traffic-control technology for the terminal areas?

Mr. HELMS. At the time the plan was studied and pulled together, we were still looking at a $450 million a year airport funding level. Obviously, with the bill that we are now reviewing, the compromise bill which the chairman has been able to pull forward, the restraint on airports starts to look much less serious; it would not be the sole constraining influence in the time period. I would say certainly not by 1990 would we run into that type of restriction.

At the same time, we obviously support the inclusion of the national airspace system plan, a large modernization effort which would be carried on and should be carried on irrespective of the

other parts, both for safety and for the fact that starting in 1986 we will run into computer limitations and airplanes will be sitting on the ground by 1988 because we literally cannot handle all the flight plans. We are running out of capacity.

Senator KASSEBAUM. Do you mean in the airport? The fields and the runways?

Mr. HELMS. No; in the air-traffic-control system. For example, most people who see the television ads and newspapers are not aware of the fact that there are only about 2,400 airliners in the entire jetliner fleet in the United States. If you take all of the airlines, for all of their ads, there are only about 2,400 jet aircraft.

But we have the remainder of the aircraft, and we must process some 70,000 instrument-flight plans and operations a day. Each flight plan has dozens, and in some cases hundreds, of individual elements. So basically, while the population of aircraft has slowly slowed down, if you will—it is still expanding, but not at the same rate—the number of instrument operations continues to go up.

The OTA correctly noted that the airport operations had not continued to increase and, in fact, our estimates had been high for a given time period. But we are referring there to a trainer airplane that does nothing but go around and around in the traffic pattern, shooting touch-and-go landings. Conversely, the number of instrument operations continues to go up, and that is what drives the system. There is where we are facing the computer-capacity limits.

Senator KASSEBAUM. How necesssary do you think the mode-S data link will be in general aviation operations in the next decade? This is a problem, an aspect of the plan that has given OAPA some concerns, as I am sure you know.

Mr. HELMS. We do not think it will be mandatory at all. The question is do they desire the benefits that can accrue by having it? One of the driving elements in the entire plan was to not levy on general aviation any requirement for any new piece of equipment. For example, today you can buy a fine airplane without lights on it. Now, most people have forgotten that. You cannot fly at night, but it can fly legally.

Therefore, what we tried to do was structure a plan that responded to the individual, let him buy the equipment if he wants to participate in the system. I do not envision that the mode-S data link would be a requirement mandatorily.

Senator KASSEBAUM. That it would not be?

Mr. HELMS. That is right.

Senator KASSEBAUM. I would like to ask you a couple of questions that are not directly related to the airspace system plan at this moment. And both of them really are of concern, I think, for the moment.

One, is the air traffic controllers and the training school. After the strike, the air traffic trainees at Oklahoma City Academy were passing at a lower rate than anticipated. You indicated that this was, in part, because applicants were being selected from an old OPM register with lower qualifying scores.

Now, that register, I understand, has been changed, and the process has been changed, and using a new air traffic entrance examination. Do you feel this has been successful? And what is the pass rate experience?

Mr. HELMS. I would only emphasize that on a statistical basis the data is not yet of sufficient depth to draw a firm conclusion. But as an example, under the old register of 656 entrants, our loss rate was 45.8 percent. And that is a combination of the en route and terminal options, and includes both failures and withdrawals, people who for some reason just did not want to go ahead.

Under the new register and under the new examination of 336 entrants, thus far the loss rate is 23.3 percent, a dramatic reduction. But I would only emphasize again, Madam Chairman, that is not a sufficient statistical basis to draw a firm conclusion from. But let us say I am very significantly encouraged by it.

Senator KASSEBAUM. As you know, I am sure, there is continued concern and criticism that some of the management problems in the air traffic system still remain and that many of the same concerns that were there before the strike. And I wonder how you are anticipating dealing with those particular concerns?

Mr. HELMS. I do acknowledge both the report by the Jones committee and the fact that it did not contain many surprises for me. It confirmed certain things that I had concluded on my own late last spring, and it did clarify them in greater detail. In fact, I started last April on a program toward a solution. It became more formalized last July and became the first phase of a three-phase program which will be published within the FAA probably within this next 60 days, the first phase being a definition of what is wrong, what do our people actually think.

Remember, it was we who requested the Jones committee to do the study. It was not the Congress. It was not someone outside. We wanted to know it.

The study in April of last year, then, because of the long lead-time, was the one you have to start first. I started a program then, toward phase 3. I will return to phase 3 in a moment.

Phase 1 is winding down now. It was the phase to determine what our people think, what the problems are, what is it they would like to achieve, what is it that got us to this point.

Phase 2 will be a 1-year effort. That 1 year will be a series of specific items both to convince our employees that we are serious; and, second, to correct certain things which we can, in fact, correct very rapidly. As an example, we have already instituted facility advisory boards at many of the facilities. They are made up, in every group, of no less than three employees and one supervisor. They start to talk about what they want to do. In fact, the first facility advisory board has already made a decision on dress code. This was done at La Guardia Tower, where they selected the dress code. So these things are starting to work.

During this first year then there will be a specific list of items. The third phase is the long-term one; that is, the 5- to 7-year program, in which we must increase the educational content, the communications content of our human relations effort. And that is the one I started last April by contacting various universities to set up a specific curricula for airways sciences leading toward a baccalaureate degree. I now have a commitment from a number of universities.

In summary, I am very committed to this, Madam Chairman, and the Secretary is also. We are not going to hold back on it, and I intend to go right on with it.

Senator KASSEBAUM. Thank you very much.

The other question concerned the Braniff failure and the slot allocation which has proved to be of some concern as far as the question as to whether there has been some preferential treatment to some of the carriers. And I wondered how you envision handling the slot allotments.

Mr. HELMS. If I may, Madam Chairman, I would like to take just a moment to establish the scenario, so that the committee can better understand the framework within which those decisions were made, keeping in mind that operations came to cease late on a Wednesday.

It was formally acknowledged at midnight that night under a court order, and the next day we were faced with what we were going to do for what had formerly been 411 operations; that is, at specific slots.

I elected to wait from 12 to 24 hours to see if the system responded to it. That is, what was going to be the impact upon the traveling public. During this time, I contacted the Chairman of the CAB and told him that I was very concerned about it, that I might have to exercise some emergency authority; I would advise him as soon as I had decided. He concurred.

It became evident then within about 12 hours that we had a severe jam-up of people, passengers in two areas, Dallas-Fort Worth and Houston, who had tickets on Braniff, who had scheduled flights on Braniff and connections. And they not only could not get where they were going, they did not know when they would be able to get where they were going.

The result of this was that those people would call other carriers and say, "When can I get to Miami?" and the carriers could not tell them because there were no replacement flights.

Therefore, in an effort to break this, I decided to choose those sites that were long distance—Miami, New York, Chicago, Minneapolis, San Francisco, and Los Angeles—and authorized on an emergency basis for 1 week, 7 days, cancelable on 24 hours' notice, two to three slots per carrier just to break this logjam of people.

I advised the Chairman of the CAB that I was doing this, and he concurred. He called me back and said, we have some other problems, we have some areas in which this was the only service. And I said, could you give me some examples? And he said, yes: Omaha will have lost all their service, Wichita will have lost, I think, 12 of 15, and he said, under the essential service doctrine I would appreciate it if you would try to award some slots to get this back in. And I said, I agree to do that.

Therefore, except for those short-term ones which were, I think, Austin, Midland/Odessa, Wichita, Kansas City, and Omaha, as I recall, no short-distance flights were authorized.

After we had put these out, we found after about 4 days that it was starting to stabilize. We have now withdrawn about 30 of those slots which we authorized on the emergency basis. In the interim, we have announced a program that all of the remaining slots will be put up for a lottery in accordance with our normal procedure,

and once we are assured that the traveling public and their needs as approved by the CAB can be met on the long-range flights, we will take the other slots and we will do the same thing with them.

So it was purely an emergency measure to meet the needs of the traveling public at the time.

Senator KASSEBAUM. And you feel it has worked satisfactorily?

Mr. HELMS. Yes. I am confident it has now, because, for example, every carrier for a long time has wanted to get on the Dallas-Fort Worth-New York run. But by encouraging some carriers to change their equipment to larger equipment, we have now withdrawn two of those slots which we authorized in an emergency.

I feel the action was proper. I feel I had no choice. We had thousands of people who did not know where they were going to go from those two areas, Houston and Dallas. We responded on a 7- day basis, and those are now being withdrawn.

Senator KASSEBAUM. Thank you.

Senator Packwood.

The CHAIRMAN. No other questions.

Senator KASSEBAUM. Thank you very much, Administrator Helms. We appreciate your being here.

I would just like to say that Senator Cannon has some questions for the record that he would like for you to answer, and he will submit them to you.

Mr. HELMS. We would be glad to answer those, Madam Chairman.

[The statement follows:]

STATEMENT OF HON. J. LYNN HELMS, AMINISTRATOR, FEDERAL AVIATION ADMINISTRATION

Madam Chairman and Members of the Subcommittee, I welcome the opportunity to be here today to discuss the Administration's proposed airways modernization and airport development programs and the funding levels we believe are necessary to accomplish these programs.

For over two years the aviation community has debated over the form that new, comprehensive airport and airway legislation should take. The 1970 Act has lapsed for the second time in two years. I think there is common agreement we can no longer delay in moving ahead with this urgently needed legislation.

We are in a strong position to do so, because we now have a plan, the National Airspace System Plan, which has the support of virtually all user groups. Certainly, some elements of the user community would prefer to see more emphasis placed on their own perceived priorities, but, by and large, I believe everyone agrees that this plan meets the needs of the various user groups. I acknowledge that small corrections or variations in products or subsystems may be preferred and desirable. Equally, I state emphatically that such small corrections do not change the basic thrust; we either move ahead on a program of aviation modernization, or we accept responsibility for a lack of capability in the future. I feel, overall, we have support for the program.

This support is due, in large part, to the fact that the plan grew out of the most intensive review of FAA's air traffic control system in 20 years. In fact, it is probably the first total systems engineering approach ever completed.

In all, the review took nearly a year—some 10 months, and involved input from industry and consultant groups as well as the government. I personally directed this review and was deeply involved in all aspects of it. I made sure that our methodology was specifically responsive to numerous Congressional directives, inquiries, hearings, and recommendations. The plan which grew out of this process, when implemented, will provide for a safe and efficient national airspace system through the end of the century.

Before turning to the highlights of the plan, I will like to call attention to the single most significant event to occur in FAA history. Specifically, Madam Chairman, I refer to the absolutely outstanding performance of our FAA employees in

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meeting the needs of our Nation's citizenry when 11,400 people violated the law and their oath by engaging in an illegal strike. With long hours, heavy workload, a major shifting of people, and the use of supporting people not normally engaged in such a supporting role in the air traffic system, the efforts of our remaining controllers, supervisors, technicians, flight service specialists, and supporting administrative personnel accomplished what virtually all evaluators concluded early in the strike was not possible. And they did it with not one unqualified person at a work station, with no derogation of safety, and through the worst winter of this century. I know of no Government agency, faced with such a challenge, that has ever responded better. While we may have problems and adversities and have improvements to make, I cannot allow these to overshadow the tremendous performance of our people. I am very proud of them, and I just wanted to state that for the record.

I would now like to touch briefly upon some of the highlights of the FAA plan for the future:

In 1986, field deployment of new host computers will begin. These will replace the aging 9020 hardware which is rapidly becoming obsolete and which is reaching its capacity limits. In fact, the 9020s have been described by GAO as "Stone Age".

The new host hardware will increase capacity more than ten-fold, as well as increasing reliability and reducing energy consumption.

Beginning in 1988, the new software and sector suites will be introduced in the field. This will increase controller efficiency and enhance safety. I have deliberately planned a two-year period between the introduction of the new host computers, and introduction of the new software. One of the fundamental aspects of the program is that the new host computer must be able to handle the current 9020 software. The reason is that I know, from personal experience, that there would be risks if we exceeded our capability of absorbing innovations into the system. The two year period will give us a chance to "shake-out" the host computers—to eliminate any bugs they may have—before introducing the new software. During this interim period, we will have the benefits of the added capacity and reliability of the new hardware—and we will preserve the proper contingency of an emergency fallback, i.e., the conversion of 9020As to 9020Ds if an emergency should arise.

The new software will also be shaken out on the new host hardware at our Technical Center in Atlantic City before being introduced in the field. Through this careful, phased-in approach, we will keep technical risks to an absolute minimum.

The phased-in approach also ensures that any slippage in software or sector suite implementation will not result in a strain on system capacity or performance. I ask the Subcommittee to keep in mind a simple comparison: launch of Apollo could be advanced or delayed numerous months without major impact; FAA cannot afford one year, one month, one week, one day, even one hour of transition time. When we cut over, it must work.

Whenever feasible, we will use the same components in the en route and terminal hub systems. The distributed architecture resulting from the host and sector suite concept will provide high availability protection from total system failure, and increased operational flexibility. It will also produce economies in development, procurement, and maintenance requirements, and minimize training requirements.

The higher levels of automation we will be implementing will improve safety, fuel efficiency, and productivity. Fewer controllers will be able to handle more traffic more safely and efficiently. Specific developments such as the TCAS airborne collision avoidance system and improved collection and dissemination of weather information have obvious safety payoffs.

We estimate that implementation of the plan will save the taxpayer $9 billion by 1990 and $43 billion by the end of the century. Reduced operating costs are attributable primarily to higher levels of automation, consolidation of major facilities, and rapidly changing lower-cost technology in telecommunications. But, irrespective of the method, all savings will accrue to the taxpayer.

As you know, Madam Chairman, our forecasts for aviation activity through 1993 indicate tremendous growth in all phases—air carrier, general aviation, and helicopter. The NAS plan is designed to accommodate this increased demand. Some people have said to me—"What if the growth you've predicted does not materialize? Wouldn't this whole NAS plan of yours be a waste of money?"

Clearly, and without expansion of need, the answer is no. Even if there were no increase in demand into the 1990's, the NAS plan would still be required, and even more apropos, it would be very cost effective.

There are three reasons for this:

1. The new system will allow for the development of increased automation enhancements which will increase safety, while benefiting efficiency of air system operations.

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2. The new system will provide increased reliability, which also benefits safety and user confidence.

3. The new system will be less expensive to operate and maintain—resulting in a net cost savings to the taxpayer.

Thus, the importance of moving ahead with the airways modernization program is unmistakeably not contingent upon increased demand in the future.

On the other hand, it is certain that unless we move forward with this program now, there will be no room for increased aviation activity in the system, and this crunch, we believe, will begin to be felt as early as 1986. Simply put, aviation activity will start to stagnate.

As you know, Madam Chairman, the inability of the system to meet capacity demands would have an adverse impact throughout the aviation industry, especially in the area of general aviation, where large growth is expected. Even more importantly, there would be an extremely adverse impact on the total national economy if the National Air Transportation System became limiting. Further, the significant step ahead in the world's technology level for air traffic control portends U.S. leadership in product development and export sales for many years to come. This program will become a vital part of preserving the leading edge of technology in the U.S. and providing jobs when sorely needed. I did not take this job with a view toward constraining aviation's growth in the future. I believe it is our job to ensure that the system will be equipped to handle the natural growth in aviation activity which we expect. Also important is the recognition that for each $1 billion we achieve in foreign sales, we generate approximately 30,000 jobs in the U.S. The National Airspace System Plan, while necessary even without increased demand, is absolutely essential to ensure that the aviation industry is not subjected to capacity constraints in the future. Aviation is one of the most important industries in our economy, and we must give it room to grow.

A significant conclusion we came to as a result of our review was that the major constraint on aviation growth in the future would be airport capacity—a lack of runways and concrete. Some people have looked at this and said, "If runways are going to be your major constraint—why did this plan of yours deal with computers and automation and other systems, but say very little about pouring concrete?"

The answer is quite simple. As a systems engineer, I took an integrated systems approach to modernizing our total National Air System. That is, I looked at all of the subsystems that comprise it and determined which of the necessary improvements had the longest lead time. That was the item which had to be addressed first; all of the other items could be folded around that later. The ATC system modernization will take 8-10 years. Runways on the other hand can be completed in 2 years, terminals in about 3 years. Various environmental approvals can take an additional 1-2 years. Therefore, key decisions on new runways can be made as late as 1985 and still be fully implemented by 1990.

The same applies to the National Airspace Review, which is a study of the operational uses of the nation's airspace, including air traffic control procedures, flight regulations, and the airspace environment. This review is scheduled to take 42 months, with 30 months remaining. But after 12 months, we begin to get output, so we can start defining the changes to airspace operations now. So you see, Madam Chairman, I have not ignored the other elements such as airports and operational use of the airspace by focusing the NAS plan on F&E and R&D. Rather, I have focused on those elements which must be addressed now in order to ensure their implementation by the end of the decade, when the capacity crunch would otherwise come.

I should take this opportunity to note that the need to make decisions now applies equally to the need for Congress to set the funding levels for these programs. Quite simply, we have run out of time, and any further delay will have real implications by 1986 at the latest.

Another reason for focusing on the airways first is safety. This becomes evident when you look at the leading causes of aircraft accidents. High on the list is adverse weather. Building more runways will not reduce the risk of this type of accident, but improving navaids and weather systems should do so. It is incumbent upon us to focus our attention first on these areas.

Turning to the technical review of the plan, it is interesting to note that some groups have said we did not go far enough in terms of technological advancement—that we should have gone straight to a satellite system, and even higher levels of automation. At the same time others claim we have gone too far in automating air traffic control functions.

The most intriguing comment comes from a recent GAO report which takes exception to FAA's decision to upgrade ATC computers while continuing to use the

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current software. The report alleges the following short and long term consequences.

"Initially, a risk will be run that the software will not be updated. The end consequences, under these conditions, would be that hardware capacity would be increasingly absorbed by obsolete software." The report goes on to state that less risky alternatives to rehosting the existing software on modern computers should be considered, and one of these alternatives is upgrading IBM 9020A computers to 9020Ds.

I find this comment intriguing because it directly contradicts GAO testimony on June 17, 1981, before the House Science and Technology Subcommittee on Transportation, Aviation, and Materials. At that time, Mr. Donald Scantleberry, Chief Accountant of the GAO stated: "Our option would be to go toward immediate direct replacement of the existing computers with new computers in the same line, where you would not have to change the programs immediately, and to keep on going with the ultimate development of the system toward the 1990's that FAA is presently working on."

Madam Chairman, I'm sure you recognize this option as the re-hosting plan that the FAA has, in fact, adopted. Therefore, it is somewhat confusing to read the 1982 GAO report which characterizes this option as risky, and instead recommends other alternatives such as upgrading the 9020A's to 9020D's—which GAO testimony last year described as "stone age."

It is thus evident that you can't please everyone when you decide which options to choose on such a large, complex undertaking. Final choices can only be made when one looks at the total system, and places the content against time. Few of our critics have done so, and I'm aware of none who have done so in detail for eight to ten months, as we at FAA have accomplished.

However, I believe that, on balance, the comments we've received show that we've got the level of technological advancement just about right. Of course, there can be minor product and schedule changes to meet user needs as the program unfolds, but I believe that the final program will be very, very close to the plan we have presented.

As I noted before, Madam Chairman, everyone seems to agree on the need for a new multi-year authorization to implement the plan. The big question seems to be, who should pick up the tab? There is general agreement that user taxes should fund the procurement of the new system, although there is some disparity over the specific contributions each group should make. The Administration believes the users of the system should also pay for their share of the cost of operating and maintaining the system. User taxes could pay for the most sophisticated system in the world, but it won't do anyone any good unless it is operated and maintained properly. It is fair to expect those who benefit from the system to pay for this aspect as well. The Administration's plan for reducing tax levels generally directly supports such an approach, and produces tax savings that the aviation user can, through the user fee mechanism, choose to rededicate specifically to aviation programs. Either way, more jobs will result.

The Subcommittee is aware of the funding levels the Administration seeks through 1987. We strongly urge a 6-year bill, through 1987, since fiscal year 1982 will be over within a few months of final passage of any bill. We need to get a multi-year bill passed as soon as possible this session. The issue has been debated long enough. It is time to get on with it. If we delay any further in implementing the National Airspace System Plan, we will begin to pay a penalty, beginning no later than 1986, in terms of strain on the system. It is not a case of the government, or "them" paying the price. In fact, the user, or "we" will pay the price.

We believe a six-year bill is necessary to ensure adequate funding for the modernization program. Assurance of long range funding is essential to the success of a major porgram such as this. I believe we need to send a signal that the federal government is serious about modernizing the air traffic control and airport systems. We need to send this signal to industry to tell them, yes, it is worth your while to spend time and money to begin researching, developing and producing navaids, equipment, and components for the new system. In addition, we need to send a message to other nations that the United States is once again prepared to reassert its pre-eminance in the field of aviation. Other countries, in Latin America and Europe, for instance, currently use air traffic control systems developed outside the U.S. We need to reassert ourselves in this field—to take the next quantum leap, so that other countries will look to us for their next generation ATC systems.

Aviation is one of the few industries left which makes a positive contribution to our balance of trade, and this is doubly important at a time when, as noted before, each $1 billion in foreign sales represents over 30,000 jobs here in the U.S.

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The point, Madam Chairman, is that swift action on the airport and airway authorizing legislation which you are considering is important, not only to ensure the modernization of the airways, but also to the overall economic well-being of the country. I am confident you share my concern that we get this legislation enacted and I am prepared to work with the Subcommittee to see that we do so.

That completes my prepared statement, Madam Chairman. At this time I will be pleased to respond to your questions.

[The following information was subsequently received for the record:]

QUESTIONS OF SENATOR KASSEBAUM AND THE ANSWERS THERETO

Question 1. Have you established priorities among various parts of the plan in the event you are unable to implement the entire plan? What if you cannot carry it out as you propose?

Answer. We have developed a total plan for system improvement identifying all areas of capital investment and scheduling these activities to produce the needed systems at the proper time. This plan has been requested by the Congress in past years and we strongly believe that the total plan should be implemented according to the schedule contained in the NAS Plan document. We believe it is urgent that we proceed with the plan since prior to the air traffic controller actions of last year, FAA was already feeling the impact of inadequate system capacity. Although system improvements are being made, traffic levels will increase so that system saturation will return in the mid-1980's. Any stretch out of the plan would increase operating and maintenance costs resulting in traffic delays starting in the mid-to-late 1980 time period and result in unnecessary staff increases and associated reduced system productivity. We believe the most productive approach is to proceed with implementation of the plan on the schedule FAA has identified in order to achieve the benefits of the system improvements starting in the late 1980 time period and to prevent continued growth in the controller and maintenance staffing. Approval of the total plan is needed and it should be coupled to a tax plan which will pay for it.

Question 2. The plan outlines a complex schedule for modernizing en route centers and terminal area facilities. Given the inherent uncertainties of technological development and government procurement, what are your contingency plans in the event:

(a) The host computer program is delayed?

(b) The software and sector suite program runs into problems?

(c) Applying the en route solutions to terminal areas proves harder than expected?

Answer. 2(a) The FAA plans to acquire an off-the-shelf computer system, modified as necessary, to host the existing 9020 software. The new "host computer" will be implemented as fast as practical, but only after its performance and capacity in performing the ATC functions have been fully verified. This new "host computer" is planned to be installed at all ARTCC's starting in 1986 and will provide the capacity relief when needed. These new computers would be the basic building block for the ATC system in the 1990's and beyond and may be augmented with processing capabilities as indicated by continuing life cycle cost tradeoff analysis. This approach allows a minimum involvement to meet the needs of current aircraft population, but by distributed architecture, additional processing elements can be added when/if needed. Most importantly, by moving out early, a contingency plan is available by converting 9020A to 9020D and thereby gaining 2-3 years relief if an unexpected problem should develop with the new host computer.

2(b) The rehosting of the 9020D software into computers having adequate capacity and high reliability will provide an adequate cushion should any problems arise in the implementation of the new software and the sector suites.

2(c) Our plans include the achievement of the highest degree of commonality between the elements of the en route and terminal systems. The identification and development of these factors of commonality will be carried out in parallel with the development of the en route systems and, therefore, will be available prior to the requirement to upgrade the terminal systems in the early 1990's.

Question 3. Your January "Response to Congressional Recommendations" indicates that a workable near-term means of increasing the capacity of 10 en route centers would be upgrading 9020A computers to 9020Ds. The 9020Ds could handle expected traffic growth until the new system is ready in 1990. The NAS Plan rejects this option in favor of buying new computers for all 20 en route centers. Statements

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by FAA officials indicate that one reason for rejecting the 9020A to 9020D upgrade was the unavailability of the IBM 360/65 computers needed to make this conversion. Another reason was doubt about the availability of spare parts for the 360/65s, a model which IBM is no longer producing. OTA testified before the subcommittee that a sufficient number of 360/65s can be found on the open market and that the Federal Government has some 103 of these machines in the inventory, 13 of which are surplus. An FAA official has also indicated that IBM will continue to provide spares for another two years and that FAA is getting ready to stockpile spares for the balance of the decade.

The A to D option would cost about $64 million. A new host computer would cost $250 million—or almost 4 times as much. Isn't the A to D option worth considering further, especially since it saves about $180 million?

Have you given any further consideration to the option of 9020A to 9020D conversion and do you still reject the option?

Answer. The conversion of 9020A to 9020D computers was seriously considered and the host approach was selected as a better solution as it permitted FAA to achieve early capacity and reliability improvements through implementation of the host. Further, the host and system development approach permitted separation of hardware and software development risks.

The choice, however, between the host approach and the conversion of 9020A's to 9020D's was based on other factors. Proceeding with the host permits FAA to achieve improvements in capacity and reliability, the latter not being possible with the 9020A to D approach. It also provides system hardware which can be used as a basic element of the future system. It permits FAA to achieve early capacity and reliability improvements without incurring the risk of software development which proceeds in parallel. It also reduces the risk of the system program in that the hardware system will have been installed and operational for several years before the new software is introduced into the system.

Selection of the host option also provides an additional measure of protection should there be any delay in bringing the new automation system on line. Support of the 9020D systems will become increasingly more difficult because IBM has already stopped the manufacturer of IBM 360-65 computers which are the elements used in the 9020 system and has further indicated that certain specialized spare parts would no longer be available after this year. FAA is currently stockpiling spare parts to keep their current inventory of computer equipment operating until 1990.

The A and D conversion, which would cost substantially more than the $64 million estimated by OTA, would be a throwaway. The entire investment lost. On the other hand, the cost of the Host Program is an investment in the future system. There is no real saving to be realized in the A to D approach.

We are not aware of any factors at this time that would make the A to D approach more viable than the Host.

Question 4. Your budget proposals call for drawing down the uncommitted surplus in the Trust Fund during the first 3 years (1983-85), after which time revenues from user fees will pay for 85 percent of the FAA's costs. If after 1985, with the current surplus already liquidated, air traffic grows more slowly than you project, the revenues from users will not be as high as you expected. What will you do: (a) slow down planned improvements? (b) increase user taxes? (c) increase the contribution from the General Fund?

Answer. While we believe that our forecasts are reasonably reliable, we recognize that many things can happen between now and 1985. If it appears that there will, indeed, be a revenue shortfall at some point in the future, we certianly would have to consider all three options which have been postulated, individually and in combination. At this time, however, we have no reason to believe that there will be a revenue shortfall.

Question 5. The recent GAO report suggests that current management practices at the FAA, particularly in the systems development area, are extremely inefficient and unless improved could jeopardize successful implementation of the NASP plan.

(a) Have you looked into GAO's concerns and how do you plan to manage such a massive program?

(b) To what extent would you be relying on outside management and technical consultants in the development and execution of the plan?

(c) Would the FAA rely extensively on outside consultants to develop software packages?

Answer. 5(a) FAA has recognized the need to improve the management of major acquisition programs and has taken a number of major steps to provide an effective management organization. These include:

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1. Identification of Major System Acquisitions and focusing top management attention on these key programs. The Administrator will approve the initiation of any major program based on validated requirements.

2. Refocusing and reconstitution of the FAA Aviation System Acquisition Review Committee (ASARC). The Administrator will chair this Committee and the Associate Administrators will be focused on a review of these programs at critical decision points. Newly designated programs may enter the key decision process at different points depending upon their state of development when they are designated.

3. Establishment of an independent audit function under a separate Associate Administrator to evaluate program performance, schedule and cost, and identify problems to the program manager, the ASARC, and the Administrator.

4. Appointment of a program manager for each major system acquisition. The program managers are to be provided appropriate authority, resources and guidelines, and held responsible for program accomplishment. Program managers will report to an Associate Administrator and will provide program reviews directly to the Administrator and the ASARC on a regular basis. The Administrator will retain sole approval authority for schedule changes and funding revisions.

5. Implementation of new procedures for program managers to "contract" work with FAA line organizations. This will enable program managers to utilize across-the-board FAA expertise on major programs. This contract will specify the work to be accomplished, the schedule for accomplishment and the resources allocated for the work. The line organization will be held accountable for performance on these contracts.

The changes in program management outlined above are now being implemented throughout the FAA. The Advanced Automation Program is one example of a major program that will benefit from the improved program management process. A special project office has been established within the FAA for this major program. Mr. Val Hunt has been selected as the program Manager. He will serve as the Director, Advanced Automation Program Office, will report directly to the Administrator, and will be responsible for carrying out that important program.

Since all organizations and all programs are dependent upon the availability of well-trained, dedicated staff members to carry out agency missions, the Administrator started in April 1981 to explore various options within the academic community to assure the continued availability of well-qualified managers and technical staff for FAA positions. The nation's colleges and universities have been asked to help train future managers and engineers for the FAA and other aviation organizations. They have also been asked to establish a curriculum that would provide a basic foundation in the general elements of aviation and lead to a Bachelor's degree in airways science, and also offer the possibility of a Master's degree. Expanded participation by colleges and universities will enable both the aviation industry and the FAA to broaden the base for recruitment and result in enhancing the development of our work forces. This effort will lead to a significant increase in the trained cadre of future FAA employees, offer a wider base of capability for future management, and start a fundamental improvement in labor management relations. The concept has been accepted by three of our nation's universities. One will have syllabus, staff, facilities, and faculty available for student entry this fall.

By this means, FAA will be able to acquire, train, and motivate the people to manage this vital part of our nation's expanding economy.

5(b) We will not be dependent upon outside help to manage the program as such. We will, of course, utilize outside technical support to augment our capabilities in specialized areas to the extent necessary to meet our needs.

(c) We plan to have the software developed by outside contractors based upon functional specifications prepared by FAA.

Question 6. How many en route centers which use the 9020D computer have reached the limit of their capacity?

Answer. None of our 9020D computers have reached the limit of their capacity. Our forecasts indicate we will begin to reach the capacity limits of the first 9020D's in the early 1990's.

Question 7. (a) If a short term solution of the 9020A to 9020D conversion is used what would be the anticipated increase in computer downtime between 1985–1990?

(b) What effect would the use of this equipment have on your O&M budget predictions for the current budget and for 1987–1990?

(c) Would continued use of these computers for the next seven to ten years create any safety problems?

Answer. (a) The Department lacks a reliable basis for forecasting future experience with the 9020 computers, because no one has attempted to continue their use so far beyond the designed and contemplated "useful life." Experience with "old"

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computers gives every reason to believe that maintenance problems will increase, creating the real possibility of increased downtime problems.

(b) Even the decisions on "stockpiling" spare parts to support use of the 9020 through the 1980's would have to be guesswork. Therefore, the effect of continued use of this equipment on the current budget and for 1987–90 would have to be based on year-to-year experience and cannot be projected at this time. This is not to say that continued use of the 9020s is necessarily impracticable, but rather, that it is not a predictable or preferred approach.

(c) We would not allow any system to create a safety problem. If the 9020 computers were to begin to create such problems, we would have to take extraordinary measures in either or both the technical or procedural aspects of the air traffic control system to eliminate them.

Question 8. OTA suggests that under the NAS proposal new host computers will be required again in 15 years but that by delaying six to ten years in a system can be in place which will last well into the next decade.

(a) What is the useful life of the host computers proposed under the NASP?

(b) What is your estimate of the difference in the total cost of the program proposed by OTA and the plan currently envisioned in the NAS?

Answer. (a) The OTA estimate of a 15-year life span for the host computers could be a matter of conjecture. Industry considers 8 years as being a useful economic life of a main frame computer; and GAO recently cited 12 years for Government applications of such systems. Without belaboring that point, the basis for the OTA estimate is the rapid application of technology leading to new and more efficient systems on an accelerated basis. This same premise applies to the system they advocate we procure in the early 1990's. The OTA proposal fails to take into account our need for improved reliability along with capacity to carry us from the mid-80's into the 90's, and the lower risks provided by the division of computer, software, and sector suite development.

(b) We do not believe there would be any very significant difference in the overall cost of either approach. The major differences will be realized in the high levels of reliability and capacity available in the near term, the reduction of risk in the overall plan relating to host, software and sector suite development, and in the longer term, the capability to augment the system to incorporate AERA enhancements in a timely manner.

The type of computers to be utilized in the host application will, in general, be field upgradable to permit installation of newer technology as it becomes available which will provide for further system capacity and reliability. In addition, the distributed architecture of the new system proposed for the new system will permit replacement of 1980 technology processors with improved capabilities without requiring systems or software redesign. Hence, the replacement system will have a very long life.

Question 9. Under the NASP airspace will eventually be controlled down to 6,500 feet, AOPS believes this is totally unnecessary and as a result, in most regions of the country, to fly safely general aviation pilots will have no choice but to equip their aircraft with the required systems so they can fly in controlled space. Outside of the areas around congested airports what is the need to control the en route airspace down to this level?

Answer. There is no plan to lower the floor of positive controlled airspace to 6,500 feet. In order to obtain the full benefits of automation transponder equipage will be required at the 6,000 foot level. We anticipate that the controlled airspace will remain much as it is today.

Question 10. One of the suggested benefits of the new en route control system is that it will be possible to allow more direct flights which will result in a substantial savings in fuel. Would the OTA interim approach delay the implementation of this program? If so, what would be the dollar value (in current dollars) of the extra fuel that would be consumed?

Answer. Yes! The interim OTA approach would delay the realization of benefits to be gained by direct flights. The new software that we will place on the new computers will include the elements of AERA which will provide the improved direct route planning function. We estimate the OTA approach would delay the implementation of the new software by some five to six years. The direct route savings are estimated to be 300,000,000 gallons of fuel per year which at the current jet fuel price would equate to about $300,000,000.00 per year or a total of about $1,800,000,000.00.

Question 11. The NAS plan suggests that airport congestion looms as the major constraint on system capacity. The NASP report states:

It may therefore become necessary to impose quotas and flow control restrictions at the affected airports. This will result in schedule changes for alleviating peak

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hour congestion, flights being shifted to alternate airports, and some flights being cancelled altogether. (NASP Report, P. II-3)

Since hubbing and peaking are essential to most air carrier operations any significant restraints on the system could be detrimental to air carriers. In view of this important concern, would it be desirable to advance the timetable for airside improvements for terminal areas?

What steps should be taken during the 1983-1987 period to reduce groundside congestion?

Answer. First, it would be advisable to outline our planning for the several elements that comprise the overall aviation system.

We have proceeded in parallel with the development of the NAS Plan, the National Airspace Review (NAR), and an updated airport plan. The results of the NAR will start to be available in 2 years and all activities will be completed in 42 months. This review will identify any beneficial changes in airspace environment and management and any changes in route structure and air traffic procedures. Such changes, once identified, can normally be implemented in 1-2 years. Similarly, airport improvements, including new runways can be implemented in 2-3 years. The NAS Plan on the other hand will take about 10 years to bring to fruition. Hence, we have placed high priority on its early completion. We believe that the NAS Plan provides a sound basis for proceeding with the upgrading of the capital equipment systems, which in aggregate, make up the capital improvement program, Further, the results of the NAR program and the updated airport plan will be incorporated into the NAS plan as they become available. Early availability of the NAS Plan permits us to proceed with development and procurement of long leadtime items.

In addition to updating the National Airspace System Plan, we have undertaken a number of studies and defined a series of potential improvement options which may have a significant impact on airport capacity. These included achievement of independent instrument flight rules, parallel approaches to 3,000 feet center line spacing, operational solutions to wake vortex hazards, dependent IFR, parallel approaches at spacings less than 3,000 feet, converging IFR approahces, separate short runways for general aviation and commuters and triple simultaneous independent IFR approaches. The top 30 airports have been analyzed and the techniques offering capacity increases have been identified. FAA is now starting a program which will result in operationally testing and evaluating these concepts and establishing the necessary facilities to implement the most promising techniques.

Groundside congestion is basically a local problem which should be addressed in the context of a localities ground transportation needs. We, of course, believe airport related ground access and egress should be viewed as a high priority and will urge such consideration on the concerned local and state authorities.

Questions of Senator Cannon and the Answers Thereto

Question 1. I don't understand this Administration's position with regard to eligibility for Federal grant programs. Working mothers with dependent children are mandatorily removed from eligibility for Medicaid, yet you are now supporting the proposition that LAX with a quarter-billion dollar annual budget should be allowed to get Federal grants as long as it wants. Even more ironic is the fact that the LAX wants to get out of the ADAP program, but the Administration insists on taxing LAX passengers based upon the assumption that the airport will continue to receive Federal grants. Can you explain to me why this Administration insists that some of the poorest people in our society must be mandatorily removed from Federal grant programs at the same time it proposes tax policies which, as a practical matter, preclude multi-million dollar airports who want to give up Federal funding from doing so?

Answer. The Administration has been a strong supporter of airport defederalization, while most of the airlines strongly opposed the passenger facility charge (PFC) authority that would have to accompany mandatory defederalization. Unfortunately, the controversey over this and other major changes in the airport development grant program has delayed passage of a bill renewing the entire user fee program, and slowed the necessary effort to revitalize the nation's airways. Resolution of this user-charge issue is distinguishable from the separate debate over social grant programs supported by the General Fund.

Question 2. Do you consider the mult-year F&E program you have suggested to be necessary for the future maintenance of a safe airways system?

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If so, how can you justify linking its implementation to an item like high O&M from the trust fund when we've got $2 billion in the trust fund to get started today on the F&E program?

Answer. We would never permit the safety of the airway system to diminish in any way. However, should multiple year F&E financing not be available, we could be forced to consider the application of artificial constraints ultimately affecting the efficiency and capacity of the system.

We believe that identifiable user groups which benefit directly from the existence of a federal service should pay the cost of that service rather than the general taxpayer. Therefore, we cannot justify the inequity of continuing to fund a large portion of FAA's operational costs from the General Fund. We are committed to system modernization and enhancement of aviation services, if the users are willing to pay the allocable costs of development and acquisition, and also operation and maintainance of the system.

AIRPORT AND AIRWAY LEGISLATION

Question 3. If Congress votes to support a fuel tax of 8.5 cent per gallon and an O&M level of 50 percent, will the President sign such an ADAP bill or veto it?

Answer. We cannot pre-judge the President's decision whether to sign or veto a bill without seeing the entire legislative package that would be presented to him.

However, an 8.5 cents/gallon tax on GA fuels would provide for recovery of only about 11 percent of the costs which the FAA estimates it incurs on behalf of this sector annually. This level of recovery is lower than that realized at any time between fiscal year 1970 and 1980.

A 50 percent level of Trust Fund financing of FAA's O&M expenditures, while providing substantially higher levels of user financing than realized in previous years, would assume a public benefit from the aviation system beyond that realized through military and Government use of the system.

Question 4. How is raising taxes on a depressed industry consistent with supply-side economics?

Answer. The user fees that we have proposed would produce revenues that would be used to operate and improve the national airspace system to the benefit of air travelers and the aviation industry. We believe that user fees generally are the most efficient and equitable way to finance national transportation systems, and that they enable improvements that are a prerequisite to economic growth in the transportation sector in which they are applied. Properly used, they can be economic stimulus rather than a depressant. We do not believe user charges are inconsistent with supply-side economics.

Question 5. Why is it fair for aviation users to pay 100 percent of the systems capital costs and 75 percent of its operating costs, while boaters pay zero percent of the Coast Guard's capital costs and very little of its operating costs?

Answer. The Department of Transportation has developed and submitted to Congress proposed legislation which would seek authority to adopt a system of user fees to recover the operating costs of Coast Guard's activities that are used by specific identifiable user groups. Where users benefit directly from such services, they, rather than the general taxpayer, should bear the cost. This proposal is part of this Department's overall effort to place all of the major Federal transportation programs on a full-cost recovery basis.

PUBLIC BENEFITS OF THE NATIONAL AVIATION SYSTEM

Question 6. Do you believe that there is a general public benefit to the operation of a national airport and airways system? If so, why shouldn't the public also pay a share of the systems operation in return for the benefit?

Answer. The Administration agrees that, to the extent U.S. military and other government activities use aviation services, a public benefit for such services exists which should be financed from general tax revenues. The Department has estimated the annual cost of military and government use of the aviation system to be 15 percent of the FAA's annual budget. The Administration's airport and airway legislative proposal provides for financing of these costs from the General Funds.

9020A COMPUTERS UPGRADED

Question 7. Immediate rehosting has been one of the most questioned aspects of the National Airspace System Plan. The disadvantages which have been cited are as follows:

(1) Newer technology is rapidly being developed.

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(2) Cost of computer equipment is going down.

(3) The new system software (functions to be performed as well as structure and appropriate allocation between sector suite and host) has not been developed/designed and any selection of hardware other than simultaneously with the software may potentially restrict design of the host software and/or sector suite.

(4) The FAA growth projections have been questioned as to reliability due not only to past inaccuracies but also the dynamics of the present airline industry environment.

(5) Acquiring "optimum" rehost computers based on potentially inflated growth projections could result in an expensive over-buy.

In light of these concerns, what functions or plans would have to be delayed or changed if the 902A computers were upgraded to 902D computers with IBM 360 computers for an interim upgrade?

Answer. The conversion of 9020A to 9020D computers was seriously considered. The host approach was selected as a better solution as it permitted FAA to achieve early capacity and reliability improvements through implementation of the host. Further, the host and system development approach permitted separation of hardware and software development risks.

The choice, however, between the host approach and the conversion of 9020A's to 9020D's was based on other factors. Proceeding with the host permits FAA to achieve improvements in capacity and reliability, the latter not being possible with the 9020A to D approach. It also provides system hardware which can be used as a basic element of the future system. It permits FAA to achieve early capacity and reliability improvements without incurring the risk of software development which proceeds in parallel. It also reduces the risk of the system program in that the hardware system will have been installed and operational for several years before the new software is introduced into the system.

Selection of the host option also provides an additional measure of protection should there by any delay in bringing the new automation system on line. Support of the 9020D systems will become increasingly more difficult because IBM has already stopped the manufacturer of IBM has already stoppped the manufacturer of IBM 360–65 computers which are the elements used in the 9020 system and has further indicated that certain specialized spare parts would no longer be available after this year. FAA is currently stockpiling spare parts to keep their current inventory of computer equipment operating until 1990.

More specifically, in response to your direct queries:

(1) The trend to newer technology will continue and our systems approach will facilitate the periodic introduction of it.

(2) Costs will continue to decrease; however, our need for capacity and reliability is urgent and must be satisfied.

(3) We will specify the system architecture to preclude any constraints on system designs.

(4) Growth is one factor. We need to achieve increased productivity through higher levels of automation. This requires the replacement of the current system.

(5) Rehost computers will be sized to accommodate new automation functions and make provisions for anticipated growth in traffic. Such provision does not result in a significant cost increase.

AUTOMATED EN ROUTE AIR TRAFFIC CONTROL SYSTEM (AERA)

Question 8. The enhancements described as the Automated En Route Air Traffic Control System (AERA) appear to be very cost beneficial. Which of these functions could be accomplished on existing hardware or possible upgrading of the 9020A computers?

Answer. None of the "Automated En Route Air Traffic Control" (AERA) enhancements could be implemented on either the 9020A or 9029D computer configurations.

Question 9. The National Airspace System Plan proposed drastic cuts in the number of manned facilities. The Jones report has already pointed out there are serious employee/management problems in FAA, particularly in the Air Traffic Control discipline. The political considerations of closing and consolidating a large number of facilities will undoubtedly be large. What is FAA doing to prepare to deal with these potential morale problems?

Answer. The following is a list of actions that are contemplated and planned to enhance employee/management relations:

1. Establishment of human relations specialist in each of the regions, the Washington office, the Aeronautical Center, and the Technical Center.

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2. Revision of curriculum in our Management Training School in Lawton, Oklahoma, to increase emphasis on human relations.

3. Increased emphasis on human relations effectiveness in the FAA selection criteria.

4. Strengthening of all forms of communication to provide open and free two-way exchange of ideas.

5. Facility Advisory Boards, which are designed to permit open and frank participation by employees relating to agency matters, are being established throughout the FAA.

6. An employee handbook for Air Traffic Service employees outlining their rights, responsibilities, and benefits is presently being published and distributed.

7. The Administrator and other managers from the Washington office have been visiting dozens of facilities in an effort to provide for personal communication sessions.

8. More than a year ago, the Administrator initiated "super telecons," thereby providing him with the opportunity to speak to several hundred outlying facilities at the same time in an effort to allow them to hear, firsthand, the current happenings as viewed in Washington.

ALLOCATION OF BRANIFF SLOTS

Question 10. Please detail for the Committee exactly how the 106 Braniff slots handed out on an emergency basis after the May 12 suspension of service were allocated. What calls were made, to which airlines, who made the calls, and how was it determined which airline was contacted in connection with a particular route?

Answer. By December of 1981, the Administrator had established guidelines, in writing, for possible actions the FAA might take to allocate the slots of an airline which ceased operations. This memorandum guided FAA's actions in allocating the Braniff slots.

When Braniff announced that it was ceasing operations, effective May 12, the Administrator determined that FAA would proceed as follows. He elected to wait 12 to 24 hours to act, in order to see how the system would respond and what the impact would be on the travelling public. This is the precondition he had previously established—that FAA first confirm the need to the travelling public for replacement service. During this time, the Administrator personally contacted the Chairman of the CAB, Mr. McKinnon, and told him of his concern that the FAA might have to exercise some emergency authority, and that he would advise him if this became necessary. During this waiting period, the FAA did authorize a number of charters and extra sections on scheduled flights in order to relieve some of the immediate congestion that developed. This is a routine and normal procedure in high density areas. However, this was not considered to be a systematic response to the situation.

Within 12 hours, the Administrator determined that two situations existed:

1. There was a severe jam-up of passengers in two areas, Dallas-Fort Worth [DFW] and Houston, and

2. International connections and major hubs were not available, as required, to citizens of Texas and the Southwest.

These were people who had tickets on Braniff. A question existed as to whether other airlines would honor these tickets. The carriers could not advise travellers whether there would be replacement flights, and if so, who would provide them, and when. CAB was also receiving a large number of inquiries. These passengers were virtually stranded.

In an effort to ease this congestion and confusion, the Administrator decided that emergency service would have to be provided in certain instances. Criteria used to determine the need for replacement service included:

1. The number of slots held be Braniff at an airport.

2. The percentage of slots held by Braniff at an airport, and

3. An emphasis on cities that were long distances from Dallas and Houston, especially at those airports that were hubs for connecting with international flights.

Those airports originally chosen were Miami, New York, San Francisco, Los Angeles, Denver, Chicago, and Minneapolis—the latter two because they were interchanges for Braniff. Subsequently CAB indicated, and traffic anlysis confirmed a more widespread impact. In all, 102 of Braniff's arrival slots at these airports and Houston and DFW were allocated to other airlines in order to allow them to provide replacement service on an emergency basis, initially for 7 days, cancellable on 24 hours notice. Only a few slots per carrier were allotted, and slots at a particular site were divided up among at least 2 carriers, wherever possible, consistent with the CAB Chairman's expressed desire to promote competition.

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Chairman McKinnon was advised of the FAA's actions and he concurred with them. In fact, he advised the Administrator of problems which arose from the Braniff suspension, and requested FAA's help in restoring service to areas where Braniff had provided the only service or the vast majority of service. The areas of concern included Omaha's loss of service and a substantial loss of service at Wichita; accordingly awarding slots at these airports should be considered. It later turned out that this was also the case in Midland/Odessa, Tulsa, Oklahoma City, and Kansas City. These were the only short-distance sites at which slots were awarded, and this was done in specific response to the CAB Chairman's request or the need for limited and essentially service. The Administrator concurred with the need, in some cases expressed to him by mayors and other local government officials seeking emergency help. Particularly impacted were Wichita, Midland/Odessa, and Tulsa.

The selection of specific carriers to receive the emergency slots was based on a number of factors. Carriers became aware of the possibility of Braniff's slots becoming available. They sent us, unsolicited, requests for those slots. In some cases, individual airlines requested every Braniff arrival slot. On May 14, after Braniff actually ceased operations, the FAA issued a notice to all carriers advising them of the availability of Braniff slots on a temporary and cancellable basis, and invited carriers to submit requests for them, in anticipation of a systematic draw.

The air carrier requests on hand were used as a starting point to determine who would be able to serve the particular emergency needs which we had identified. If there was some question in our minds, an appropriate carrier was then contacted per its submittal in order to determine whether it would, in fact, be able to establish service in accordance with the FAA guidelines, e.g., (1) could it actually start up within 48 hours; (2) would it be willing to accept the slots for 7 days at a time; and (3) would it be willing to relinquish the slots on 24-hour notice. If the carrier met the FAA conditions, it was advised emphatically that only written notification of the award of slots to allow the carrier to provide that service was final. This procedure was repeated until all of the emergency replacement service deemed necessary was made possible through the allocation of emergency slots. It followed the historical and normal FAA process that notification must be in writing.

Some carriers filed requests earlier than others, but this is just a factor of how different companies operate. We took what action we could to secure replacement service to meet the needs of the travelling public. Quick action was needed once the problem areas had been identified, and it was fair to act upon carriers' requests which had already been received. It should be noted that some carriers reported they could not meet the 48-hour requirement, or did not want to enter a market area, or did not want to provide service knowing it was temporary and revocable on 24-hour notice.

Question 11. Secretary Lewis and Administrator Helms both testified that Mr. Stockman and OMB have committed to using the trust fund monies as they were intended, and not to balance the Federal deficit. Yet, last week it was reported that Mr. Stockman has written to the Ways and Means Committee objecting to their reported ticket tax of 5 percent because it would create a $600 million revenue drain on the Federal budget. Since 5 percent adequately funds the expenditures in the House ADAP bill, doesn't Mr. Stockman's objection represent the attitude that this trust fund will continue to be treated consistently with whatever happens to be current fiscal policy?

Answer. As Secretary Lewis and Administrator Helms testified, the Administration is committed to using trust fund receipts for the improvement and modernization of the airways and airports system if appropriate use fees are established. Our understanding is that the report of a letter from Mr. Stockman to the Ways and Means Committee was erroneous.

Senator KASSEBAUM. The next group of witnesses are the commerial users panel: Mr. Ignatius, Mr. Ekedahl, and Mr. Burian.

It is a pleasure to welcome you.

Shall we start with you, Mr. Ignatius?

This is Paul Ignatius, president of the Air Transport Association.

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STATEMENTS OF PAUL IGNATIUS, PRESIDENT, AIR TRANSPORT ASSOCIATION; DUANE EKEDAHL, PRESIDENT, REGIONAL AIR CARRIERS ASSOCIATION; AND LAWRENCE BURIAN, PRESIDENT, NATIONAL AIR TRANSPORTATION ASSOCIATION, INC.

Mr. IGNATIUS. Thank you, Madam Chairman, Senator Packwood. I have a statement which I would request be made a part of the record, and I would propose then to synopsize the main features of it.

First, on behalf of the airlines, I want to express our appreciation to you, Senator Kassebaum and Senator Packwood and Secretary Lewis, who is not now with us, for the efforts you have made to resolve the longstanding issues that have prevented, over the period of the last several years, the passage of legislation which is essential for the efficient and safe operation of the air transport system on the ground at its airports and in the air through the air traffic control system.

You are deserving of a great deal of praise and thanks for this effort. We fully support the amendments that you have proposed to the Senate bill, and we are confident that these amendments are in the best interests of the system, and its users. We hope that this approach will lead to prompt adoption of the bill in the Senate and enrollment of this long needed legislation.

We fully support what you are doing in all of its elements. We would have preferred a lower tax than the 8 percent passenger ticket tax, which is the principal source of revenue for the trust fund. It is our belief, however, that we are embarked upon a long-term program that will occupy perhaps a decade or more to assure a safe and adequate air traffic control system and the airport capacity needed to assure balance.

This will require money. We are prepared to do our part. It has always been our view that we would support that tax level necessary to carry out the needed or approved program. The program that has been proposed by the administration for rebuilding of the air traffic control system, together with the substantial sums of money which would now be available for ADAP from the amendments that you have introduced, will require higher tax levels from the general aviation users as well as from the air carrier users. We are prepared to support the needed funding levels.

I think it is awfully important that we keep in mind in the legislation and in the carrying out of the program following enactment, the concern that Senator Packwood raised earlier in his interrogation of the Secretary of Transportation. User taxes are to be used for the purpose intended and not for other purposes.

We are willing to support this substantially higher user tax level. But I can tell you that if we thought this money would be used for purposes other than the purpose intended, we would strongly oppose it. We are hopeful that the OMB, the Congress, and the administration in later years will strictly adhere to the principle that you and Senator Packwood have stated: that these moneys are to be used for the purpose intended. Otherwise, we would feel that we had somehow been misled.

And in that connection, it may be that there could be something in the preamble to this bill that recognizes its historic nature. We

are embarked upon a national program that will go beyond the 4 years of this administration and the 4 years of the next administration. It must have national support, which must be institutionalized beyond any particular Administrator at any particular time. It is that program that your amendments will make possible, the taxes that are called for in your amendments will fund that program, and the implementation of all of this over the years must assure that those substantial moneys are used for the purpose intended.

Those are the points I wanted to make beyond what I stated in my prepared statement. At the end of the panel, I like the others can respond to questions that you may have. Thank you.

[The statement follows:]

STATEMENT OF PAUL R. IGNATIUS, PRESIDENT AND CHIEF EXECUTIVE OFFICER, AIR TRANSPORT ASSOCIATION OF AMERICA

Madam Chairman and members of the committee, I am Paul R. Ignatius, President and Chief Executive Officer of the Air Transport Association. On behalf of our member airlines, I am pleased to offer our views on the amendments you have proposed for the reauthorization of the Airport and Airway Development Act. With me is James T. Murphy, Assistant Vice President for airport matters.

First, I wish to commend you for your effort in developing these legislative proposals for meeting the airport and airway development needs of our country. Your approach recognizes that the magnitude of the National Airspace System Plan (the Helms Plan) is a new element in the equation, and that reauthorization of the Airport and Airway Act must take account of the need to expand and modernize both the airport and airway systems. We support the approach you are proposing through amendments to S. 508, and we hope your proposals will permit prompt action in the Senate and enactment of an airport and airway bill this year.

OVERVIEW OF LEGISLATIVE PROPOSALS

The approach that you have offered to the aviation community contains appropriate balance between needed programs and recommended user charges to defray the major costs of those programs over the next 5 years. The recommended user charges are as follows:

1. 8 percent ticket tax on domestic air passengers, reducing to 6–7 percent in 1986 and 1987.
2. 5 percent cargo waybill tax.
3. 12 percent per gallon tax on aviation gasoline.
4. 14 cents per gallon tax on general aviation jet fuel.
5. $3 charge per pasenger enplenement for international departure.
6. Aircraft tires and tubes at 5 cents and 10 cents per pound respectively.

The income from the revenues is adequate to fund upwards to 75 percent of the entire FAA budget and would support program levels necessary to fund both the Helms Plan and a full airport ADAP program. Assuming that revenues and expenditures approximate those forecast, the Aviation Trust Fund would retain a surplus in the order of $1 billion in 1987. Your proposals for establishing a penalty, or relationship, between O. & M., F. & E., R. & D. and ADAP program levels will provide a needed incentive for balance between revenues and expenditures and between development programs for airports and airways. In addition, the airlines have no objection to any airport that wants to voluntarily defederalize. However, we retain our unserving opposition to head taxes under any guise and we are therefore greatly pleased that your approach retains the ban on passenger facility charges or head taxes.

THE NATIONAL AIRSPACE SYSTEM PLAN

Mr. Helms, the Administrator of the FAA, has recently unveiled his comprehensive plan to improve and modernize the Air Traffic Control System, including necessary replacement of ATC Computers. The airlines have long supported the modernization of the ATC system in order to reduce congestion and delays and to insure above all else that the airways will be operated at the highest level of safety attainable. In our view, prompt modernization is essential. Thus, we support the objectives

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of the National Airspace System Plan and the increased funding levels for F. & E. and R. & D. required to begin implementation.

ADAP ISSUES

As you are aware, the delay in enacting legislation to reauthorize the airport and airway program has occurred principally because of differences between the jurisdictional Committees of the House and the Senate and among the elements of the aviation community about defederalization and head taxes. The airlines, as I have already mentioned, strongly oppose head taxes and are pleased to note that they continue to be prohibited in your proposal.

The $450 million per year ADAP fundng authorization included in S. 508 as reported by the Commerce Committee last year is inadequate since all airports, under your proposed amendments, would be eligible to participate in the program. The budgetary authorization levels which you are now proposing go a long way toward meeting the development needs of the airport and airway system within the budgetary constraints that currently exist. The ATA believes that your proposal of $690 million for ADAP in fiscal year 1983 is a prudent and realistic program level, and we support it. We also support the 15 percent annual increase in ADAP funding through fiscal year 1987 contained in your proposal to ensure adequate and timely airport development in the future.

The combination of ADAP eligibility for all airports, adequate ADAP funding levels and continued prohibition of airport head taxes is, we believe, the most constructive way to ensure safety and capacity related developments at airports of all sizes. ATA member airlines are firmly convinced that any provision for an airport head tax or passenger facility charge would present airlines, passengers and communities with unacceptable and unnecessary inequities, burdens and inconveniences. The inclusion of head tax authority in any legislative proposal, either now or in the future, would most likely jeopardize the chances for passage of this important legislation.

TRUST FUND CONTRIBUTIONS AND USER TAX LEVELS

The 75 percent Trust Fund contribution to the FAA budget and the user tax levels contemplated in your proposal are acceptable to our airline members. We have urged the offset of the additional ADAP funding by a General Fund contribution greater than the 15 percent proposed by the Administration, or if necessary by use of the Trust Fund surplus. Ticket, waybill, and international tax levels should be no higher than necessary to support the authorized program. A large Trust Fund surplus should be avoided by requiring that expenditures be made to carry out the combined Airport/Airways Plan, and by providing for a reduction in user tax levels, if warranted.

The 75/25 percent Trust Fund ratio, the gradual reduction of the Trust Fund balance, the recommended reduction in the ticket tax rate after 1985, and the penalty on O&M, F&E and R&D funding levels if DOT/FAA fails to obligate all available funds in the airport program in any year—contained in your proposal—are worthy objectives and we support them.

Under the proposed user tax levels, airline passengers and shippers will continue to contribute 95 percent of Trust Fund revenues. We would, of course, have preferred to see a more favorable balance in the proportionate shares of air carrier and general aviation contributions.

In summary, we support the approach you have taken to overcome the impasse on the airport and airway bill and commend you and the Committee for the perserverance and initiative that has been demonstrated in moving forward with reauthorizing legislation.,

I will be happy now to respond to your questions.

[The following information was subsequently received for the record:]

QUESTIONS OF SENATOR CANNON AND THE ANSWERS THERETO

Question 1. Why are you supporting a five-billion dollar increase in passenger taxes over the next five years, when all of that money is going to support the increased FAA O&M? A 5 percent tax would easily handle the needed F&E and ADAP expenditures if we kept O&M to a reasonable level.

Answer. The Board of Directors of the Air Transport Association, at its March, 1982 meeting, agreed to support higher tax levels if they were needed to support the

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long-range plan for modernizing and expanding the air traffic control system and for an adequate ADAP level.

The amendments proposed by Senator Kassebaum provide the necessary authorization for the airway modernization plan and for an adequate ADAP program. This will require a higher tax level from both airline passengers and shippers and from general aviation. The airlines are willing to pay their share.

The funding plan underlying the Kassebaum proposals anticipates that 75 percent of FAA's costs would be met by user taxes, making possible a greater funding of O&M costs from trust fund resources than has been the case in the past. The airlines would prefer to see a figure lower than 75 percent. On the other hand, the Administration has sought an 85 percent funding level. Presumably, the 75 percent is the result of the need in this case, as in so many others, for legislative compromise.

Question 2. The first time ATA testified on ADAP in 1979, it said defederalization was good, high ticket taxes were bad, high F&E was good, high O&M was bad, and head taxes were really bad. Last year you said defederalization was bad, high ticket taxes were bad, high F&E was good, high O&M was bad and head taxes were probably bad, but you were negotiating with the airports. Today, defederalization is bad, high taxes are good, high F&E is good, high O&M is good and head taxes are bad. Is ATA's position firm?

Answer. Yes, the ATA position is firm. Moreover, the position has been consistent over the several year period embraced by your question. First, we have always opposed head taxes and continue to do so. Secondly, our initial support of defederalization vanished when it became clear that defederalization was inextricably linked with head taxes, which we have consistently opposed.

Thirdly, we have consistently supported a high F&E level and continue to do so.

Fourth, we have consistently opposed higher contributions from the trust fund to meet O&M needs, but recognize that the pressure from the Administration has led to legislative compromise, under which higher levels are inevitable.

Finally, we have consistently said that passenger and shipper taxes should be no higher than were necessary to support an adequate and approved airport and airway program. The program anticipated by the Kassebaum amendments will require higher tax levels, and the airlines are prepared to support their share.

Question 3. I know you are familiar with the proposal I made to provide an incentive for airports and airlines to agree to defederalization on a case-by-case basis. The airport would control "triggering" a 2 percent surcharge if it defederalized, and the airlines would control the money after the surcharge was in effect. The passenger would always pay 8 percent, but at defederalized airports he or she would be reducing airport and airline costs with 2 percent of that levy instead of sending it to Washington.

I've been astonished that a number of airlines reacted immediately against this option. It holds tremendous potential for cost savings to the industry at a time those savings are needed, and if it does not work, it is a harmless option that will not be used by airports since the airlines would control the money. Thus, all airports would remain in ADAP, as you propose, if it doesn't work.

Can you explain to me why the airlines object to this option?

Answer. Our fundamental objection to the proposal, as presented, is that it raises serious questions of a legal and practical nature that are not addressed in sufficient detail. We question whether airlines could realistically expect to be permitted to "control" the proceeds of a federal surcharge or tax and how federal monies could be passed on to airports based upon agreements between airports and airlines.

The necessity of agreement among competing airlines, and between airlines and the defederalized airport, presents problems and questions which have not, as yet, been addressed. For example, if agreement is not reached, or is only reached between a few of the airlines serving an airport, can defederalization occur? Can a defederalized airport re-enter the federal program if the agreement is not to its liking? Are airlines that are not parties to the agreement (such as new entrants) bound by the defederalization/surcharge arrangement? Is the freedom of carriers to enter and exit markets under deregulation affected by such agreements? Are there antitrust considerations for airlines that are parties to such agreements?

Such questions cannot, in our view, be answered with the general information on the proposal that is currently available. The questions and concerns that are raised by the proposal are not likely to be resolved in the short legislative time frame available for passage of airport and airways legislation this year.

Question 4. I'm interested in the criticism that this proposal is administratively unworkable. First, it is exactly how the "airport security surcharge" of the early 1970s worked which the industry supported and used. Second, how can a two-tier

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federal tax system be "administratively unworkable", but an airline fare system of hundreds of different fares for passengers work every day?

Answer. The proposal to make 2 percent of an 8 percent federal tax available to airlines for negotiations with airports bears little, if any, relationship to the "airport security surcharge" of the early 1970s. The security surcharge was a fixed dollar amount added to the price of air transportation set by the CAB in a highly regulated environment. Under deregulation, airlines are free to set fares at levels appropriate to market conditions.

In addition to the legal and practical difficulties noted in response to Question No. 3, the "two-tier federal tax system" envisioned in the proposal would create interline payment problems for airlines. For example, tickets written by airlines not serving defederalized airports, or by travel agencies, would somehow have to accommodate the withholding and transfer of part of the 8 percent federal tax for use by the defederalized airport, under terms of an agreement to which the ticket issuer is not a party. The combination of the great variety of agreements that could result from the proposal between airports and airlines, the continuing entry to and exit from both federalized and defederalized airports, and the diversity of fares charged by airlines would likely result in an extemely complex and ever changing formula. The uncertainty as to whether the 2 percent is a "surcharge" or part of a "two-tier federal tax system" (both terms are used in the questions posed) further confuses the situation.

Question 5. If in 1984 the Congress finds itself facing a $200 billion deficit, and therefore passes a budget resolution freezing all domestic programs at their 1983 levels, do you really believe that ADAP will get a specific exemption?

Answer. An ADAP exemption would be possible because the ADAP program levels would be supported by user taxes sufficient to fund the authorization levels contemplated by the Kassebaum proposal.

Senator KASSEBAUM. The next witness is Mr. Ekedahl, president of the Regional Air Carriers.

Mr. EKEDAHL. Thank you, Madam Chairman. I have submitted my statement for the record and would, with your permission, at this time briefly summarize it for the committee. I am very happy to be here to present the views of the commuter regional airlines with respect to your proposal to revitalize the Federal airport development airways program.

We too would like to commend you and members of the committee and others who have developed a plan which recognizes the need to combine and balance the airspace modernization plan with the capital improvement needs of the airports, and have provided for sufficient funding levels in these programs to deserve and, we would hope, receive the support of the majority of the airports and user groups.

And we are here and very happy to lend our full support to your proposal for this urgent program. The regional airlines do view airport access and capacity constraints as one of the biggest threats to their future. The experience with the air traffic controller strike in recent months, where 22 airports were capacity constrained, certainly demonstrates the problems of the administrative allocation of this type of a scarce resource in any free-market environment.

And when one looks at the FAA projections that at the end of this decade, unless something is done, there will be double the number of airports at saturation and in the following decade double again the number of airports at saturation, it is a nightmare, clearly, to contemplate that situation.

And we would hope that this experience would be incentive enough to proceed with the urgency of the ADAP program. The regional carriers feel again particularly vulnerable to these types of constraints. They are indeed regional in nature, short-haul, feeder,

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and very, very hub-dependent. A cutback at a given hub is a cutback across the board for a small regional carrier serving that hub.

Delays are particularly costly, with a 42-minute average flight time, and a 10-minute delay is a 25-percent increase in operating costs. So it is not surprising that the regional airlines were quick to endorse the modernization plan.

We also recognize that it made no sense to upgrade the air traffic and navigation system without a companion effort to increase the capacity of the airports. Your broad-based amendments to adjust the funding levels of S. 508 are, in our view, a very, very positive step.

We view the safeguards that you propose to insure that the funds are spent as intended—that is, linking capacity expenditures and FAA operating costs that would come from these taxes, and also, in a sense, a cap on the trust fund through assurances that taxes will be reduced if the funds are not needed or expended—are very important initiatives.

We feel this is responsive to our needs. We feel the ADAP passage this year is of the highest priority, and we are very pleased to lend our support to this proposal. Thank you.

[The statement follows:]

STATEMENT OF DUANE H. EKEDAHL, PRESIDENT, REGIONAL AIRLINE ASSOCIATION

I am Duane H. Ekedahl, president of the Regional Airline Association (RAA). On behalf of the short haul passenger and cargo airlines, we appreciate this opportunity to appear before the Senate Aviation Subcommittee to discuss the urgent need to modernize and expand our nation's airport and airways system.

For longer than one would like to recall, we have been working to re-enact airport and airways legislation to meet the expanding public demand for air transportation. During this time, our perception of needs and priorities has undergone much change. Whereas the 1970 legislation was primarily designed to underwrite a national program of airport development, largely financed through federal grants-in-aid, with some capital improvement to the air traffic control and air navigation systems, today we have come to view airspace capacity and modernization as the priorities for aviation legislation in the 1980's.

The Regional Airline Association views limited airport access and airside congestion (and with them, costly delay and diversion) as the greatest enemies to the future development of U.S. air transportation. Our ongoing experience with limited airport and airways capacity stemming from the air controllers' strike has been a sobering reminder of how difficult it is to balance free market forces, economic levels of air transportation and basic service needs when there is too little hub access to go around. Yet, such administrative slot allocation schemes as are in use today to maintain control over air traffic demand, might be the only alternative to controlling future demand in the face of stagnant ATC and airport capacity. At too many terminals regional/commuter airlines serve today, runway and terminal airspace congestion is already constraining new services. Yet unless we enact this legislation, we face the very real possibility that 41 of our nation's most important air traffic hubs will be saturated by 1990, with the possibility that 91 airports will reach severe saturation by the year 2000. Let me briefly describe the effects such levels of congestion will have on airline service, particularly that provided by regional/commuter carriers.

First, convenient interline connections will be disrupted. If airline deregulation is to work, then outlying communities losing direct, non-stop air transportation links by trunk and local service airlines must have timely, frequent replacement services by commuters with connections through their nearby airline hub reports.

Second, delay and diversion will become commonplace. For short-haul air services, the economic consequences of a growing incidence of delay and diversion are particularly acute, beyond the obvious inconvenience caused to passengers. For example, just a ten minute average airside delay on each trip flown by a short-haul commuter carrier will result in a 25 percent increase in industry operating costs, costs which our passenger may ultimately be unwilling to bear (based on the 1981 indus-

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try average flight duration of 42 minutes). Further, the accumulation of such delays will contribute to unmanageable schedule disruptions in commuter "hub-spoke" services where flights are typically scheduled for a turn around each other.

Frankly, a passenger ticket tax of 8 percent would be a fair price to pay if airport access and airside congestion and with them, delay and diversion, can be brought under a plan for long term control.

The Regional Airline Association has endorsed the National Airspace Plan proposed by the FAA. We support both the systems engineering approach of the plan which calls for an integrated overhaul of air traffic facilities and services, and the concomitant review of airspace regulations and procedures to maximize use of the new hardware that is to be introduced. However, at the same time, the RAA remains steadfastly committed to a vigorous program of airport development. It makes little sense to us to upgrade our air traffic and navigation system without a companion Federal effort to add runway and terminal capacity, particularly at our nation's already congested airline hubs.

Hopefully, the Congress will enact an Airport and Airways Improvement Act in the very near future. Certainly, your leadership, Senator Kassebaum, in proposing broad amendments to the expenditure levels contained in S. 508, represents a very positive and important step in completing this process. The RAA can support those revisions fully, particularly your strong commitment to a vigorous, five year program for airport development that makes involuntary defederalization of 69 airports unnecessary.

We have made little secret of our grave concern over how ineligible airports would raise revenues to replace lost ADAP monies. Some revenue proposals such as the imposition of passenger facility charges or "head taxes," create serious questions of equity and administrative burden for short-haul regional/commuter carriers who do not need the kind of expensive capital investment in runways, taxiways, ramps and terminals that jet transports require.

As our priorities have changed in revitalizing our air traffic system, so too have the circumstances changed from the time mandatory defederalization was first proposed. Originally, defederalization was to be accompanied by a significant reduction in ticket taxes, to perhaps as low as 2 percent as proposed in S. 1272. Further it was envisioned that defederalized airports would come together with the air carriers serving them to renegotiate fees and charges to meet capital improvement needs. Given the cost of the substantial improvement programs to the National Aviation System forecasted over the next decade, it is no longer realistic, in our view, to expect a significant reduction in taxes to accompany this legislation nor to assure that most defederalized airports would be able to generate sufficient revenue to meet their capital needs.

In closing, I would like to note that a continued delay in the enactment of a bill is the worst possible eventuality for aviation users and for our future plans to upgrade the nation's airport and airways system. Since October 1, 1980, none of the taxes paid by users have gone into the Trust Fund. That means that none of our taxes are being reserved for the vital capital improvements to the National Aviation System planned over the coming decade.

These foregone revenues, now totalling more than $2 billion and which increase by more than $100 million each month, might have been used to purchase facilities and equipment such as precision approach/landing aids and to provide airport construction grants than to have become a mere offset to deficits in other federal programs. Yet, at the same time, funds are continuing to be drawn from the Trust Fund pursuant to the annual appropriations act, particularly for ever increasing levels of FAA operations, with the result that the Trust Fund is being depleted at a rate of roughly a billion dollars per year.

Again, we want to commend you, Chairman Kassebaum, and the leadership of this Committee for your efforts in proposing legislation that is responsive to the needs of the aviation industry. Thank you for your interest in the views of the Regional Airline Association; I would be pleased to answer any questions.

Senator KASSEBAUM. The next witness is Mr. Burian, president of the National Air Transportation Association.

Mr. BURIAN. Madam Chairman, Senator Packwood, I am prepared to give you a summary statement, and I understand that my official statement will be submitted and noted in the record.

The National Air Transportation Association very much would like to take this opportunity to congratulate you, Senators, for the sweeping changes to S. 508, and right up front I think I can say

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that our organization can support your amendments to this legislation.

The National Air Transportation Association is a rather unique organization. It is a user organization, in that NATA's 1,000 U.S. locations provide ground services, the support often referred to as fixed-base operations to the aviation community, including the recreational pilots, business and corporate pilots, as well as the certificated airlines, commuter and regional airlines, and the military.

In addition, our members also engage in on-demand air taxi service as well as communter airline service. Our members, as we were developing our position of support, if that would be the case, for the various pieces of legislation leading up to these ADAP amendments, and the airspace modernization plan, voiced a very concerned outlook for the future as well as a great deal of distrust for both Congress and the administration because of the way the aviation trust fund has been handled since its inception in 1970, the midnight raids on the trust fund and so on.

But our members tell us that in spite of this past history of the way the ADAP program and the trust fund has been handled, they are willing to walk that extra mile, take that extra step and work with their association, NATA, the Congress, and the administration to develop the legislative package necessary to adequately protect the investment of user fees, and the expenditure of these user fees that are made by the industry for a complete and total airport and airways package.

I was very pleased, Senator Packwood and Senator Kassebaum, as you made a very strong point, a point of emphasis that these moneys are to be collected and spent only for those items for which they are intended. And I think, call it a condition of NATA support if you will, we would prefer to see some legislative language that strongly locks into legislation, to make sure that these funds are, in fact, spent for the reasons they were collected.

Perhaps an extension of that provision would include a reduction or an elimination of taxes once the obligations had been met, the modernization of the airspace program complete and the necessary concrete is in place. Perhaps we could look forward to a reduction in taxes at some point in time.

We view S. 508 as an opportunity for a balanced airport and airway program. In addition to other items already mentioned, we very much prefer a long term program—and by long term, we would consider that to be at least 5 years—for a couple of reasons. No. 1, as you stated in your opening remarks, Senator Kassebaum, we have to stop meeting this way year after year. It is a perennial thing. I think if we are going to settle down and develop an airways and airport program that makes sense, we have to get out of this once a year, come-up-and-talk-it-over method of funding projects as vital as these.

And I think secondly, to have a 5-year program would get it out of the election year cycle, which could be an even added time-waster and counterproductive.

I must admit we do prefer a lower O. & M. contribution from the users. I would reference H.R. 2643 as a starting point. But I must applaud your amendment; we are particularly interested in and concerned with, and pleased with the $690 million the first year for

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an airport program. I think that is where we have to put our emphasis early on, in the airports area.

A delay in legislation or an absence of legislation would put us in a catchup ballgame, and I think that is the worst possible scenario we could get into today. I think we can support S. 508, and again, we applaud you for your hard work and many hours on these new amendments.

Thank you.

[The statement follows:]

STATEMENT OF LAWRENCE L. BURIAN, PRESIDENT, NATIONAL AIR TRANSPORTATION ASSOCIATION

Madam Chairman, the National Air Transportation Association ("NATA") represents the business interests of airport service and support organizations (commonly known as fixed base operators or FBOs), air taxi operators and commuter airlines at approximately 1,000 locations across the United States.

Many of our members have voiced their deep concern and dissatisfaction over the disparity that has existed between revenue being generated for the Aviation Trust Fund ("Trust Fund"), airport/airway authorizations (particularly the meager funding levels for airports), and actual expenditures during the relatively short history of the Airport and Airways Development Act ("AADA") and the Airport Development Aid Program ("ADAP").

Currently, aviation users have witnessed: (1) an expiration of airport and airway authorizations; (2) the current aviation taxes (4 cents per gallon aviation gasoline tax and 5 percent passenger ticket tax) being diverted into either the Highway Trust Fund or the General Fund; (3) the more than $2 billion uncommited surplus in the Trust Fund being quickly eroded by current appropriations; (4) Trust Fund monies in peril once again to "raids" for the sole purpose of funding total operations and maintenance ("O&M") of the Federal Aviation Administration ("FAA"); and, perhaps most important of all, (5) the high potential for severe degradation of America's airport and airway system.

While NATA applauds the spirit and the initiative of the Subcommittee to move ahead on modernization of our air traffic control system, we feel compelled to use this opportunity to make a strong appeal for higher funding levels for airport development, and other items that are specified in the comments that follow.

AIRPORTS

NATA strongly recommends a funding level of at least $650 million for airports development, beginning in fiscal year 1982, with an escalation of at least 15 percent for each succeeding year to cover costs of inflation and construction delays.

The airport development program should embrace public use airports already in existence with special emphasis on reliever airports, including expanding the definition of reliever airports to include more airports in metropolitan areas. This should also include certain qualified privately owned airports that are open to the public.

NATA further recommends that airports not be subject to "defederalization"—mandatory or voluntary—and that airport passenger facility charges ("head taxes") be prohibited.

ATC MODERNIZATION PLAN

The Association endorses the concept and objectives of the air traffic control modernization plan ("Plan") introduced by FAA Administrator, J. Lynn Helms earlier this year.

We do not agree, however, with the Administration's philosophy of funding 85 percent of FAA's programs from the Trust Fund. It has long been our position that all taxpayers share the public benefit that is offered through a safe and efficient national system of airways and airports. The system should be supported in large part by general revenues.

NATA strongly advocates limited Trust Fund expenditures to 50 percent of O&M expenses incurred for airway system costs. Our members are among the users of the system that are paying 100 percent of airport development, facilities and equipment (F&E), and research and development (R&D) costs, and accept the fact that O&M is a legitimate Trust Fund expense, but believe it should be held secondary to the capital improvements of the system.

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USER TAXES

Although NATA members are generally apprehensive about user taxes and their ultimate use, they are in favor of the concept and objectives of the Plan and are willing to pay more for F&E, R&D, and O&M for airways system costs, provided airway and airport capital improvement needs are fully met.

The Administration's proposal represents a rebuilding process that may take as long as twenty years. Superimposed on this process is a user tax supported investment period that will last approximately ten years. And, that investment is an amount that has not been clearly defined by the Administration. NATA strongly objects to such a blank check approach to taxation.

If there is a proven need for an increase in user taxes now, there should be ample legislative flexibility to reduce such taxes at such time as the obligation to provide a modern and safe airport and airways system can be met without placing the Trust Fund in a negative balance or deficit spending position. The aviation user should not be asked to underwrite a long-term and/or a disproportionate level of funding for FAA's O&M, nor an idle surplus in the Trust Fund.

NATA has already gone on record before the House Subcommittee on Aviation and the Committee on Ways and Means with regard to Airport and Airways Authorization and Aviation User Fees (H.R. 2643, H.R. 4800). Our recommendations are clearly stated in the attachments to this statement.

PROGRAM DURATION

NATA urges authorizing legislation that spans a minimum five year period. This would provide a commitment and a degree of certainty that the Plan, coupled with an ambitious airport development program, would be pursued and not be subjected to annual funding debates. This, combined with mandatory spending language, and the tying of authorization and tax levels together, would provide the user community with higher expectations and reasonable assurances that authorized funding levels would be met.

In addition, should authorizing legislation enter into a hiatus period such as is currently being experienced, NATA recommends a different approach be taken on the collection of aviation user taxes. We suggest one of two approaches: (1) that all user taxes cease on the expiration date of authorizing legislation; or (2) that all user taxes collected be credited to the Trust Fund, with specific prohibitions to avoid "raids" on the Trust Fund.

NATA appreciates the opportunity of working with the Subcommittee on Aviation to enact a good airport and airways improvement program.

Attachment 1

SUMMARY

NATA.—Supports the concept and objectives of the Administration's Plan

Supports H.R. 2643 that limits Aviation Trust Fund expenditures to 50 percent of O&M expenses incurred for airway system costs

Opposes the Administration's proposal for funding 85 percent of FAA's programs from the Aviation Trust Fund

Will support a proven need for an increase in user taxes, provided airway and airport capital needs are fully met

Opposes an idle surplus in the Aviation Trust Fund

Supports a minimum funding level of $650 million for airport development the first year, with a 15 percent per year escalator in succeeding years

Supports airport development for public use airports with special emphasis on a reliever airport system, including expanding the definition of reliever airports

Opposes airport defederalization and airport passenger facility charges

Will support a five-year ADAP bill with mandatory spending language

Recommends a tie-in of authorization and tax levels

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Attachment 2

ADAP BUDGET PROJECTIONS—SCENARIO 1 ASSUMPTIONS

	1982	1983	1984	1985	1986	1987
Tax Rates:[1]						
Air carrier ticket tax (percent)	8	8	8	8	8	8
International departure tax	3.00	3.00	3.00	3.00	3.00	3.00
Waybill tax (percent)	3	3	3	3	3	3
Aviation gasoline tax	0.12	0.12	0.12	0.12	0.12	0.12
Jet fuel tax	.14	.14	.14	.14	.14	.14
Tire and tube tax	.05/.10	.05/.10	.05/.10	.05/.10	.05/.10	.05/.10
Authorizations:						
ADAP	650.0	747.5	859.6	988.6	1,136.9	1,307.4
F. & E.	261.0	725.0	1,393.0	1,407.0	1,377.0	1,164.0
R. & D.	72.0	134.0	286.0	269.0	215.0	193.0
O. & M.	800.0	964.0	935.0	979.0	1.025.0	1.081.0
Beginning uncommitted balance	3,021.0	1,988.0	2,611.2	2,761.0	3,189.3	3,724.9
Revenue from taxes	278.2	2,626.2	2,960.4	3,336,3	3,729.1	4,132.5
Trust fund authorizations:						
ADAP	650.0	747.5	859.6	988.6	1,136.9	1,307.4
F. & E.	261.0	725.0	1,393.0	1,407.0	1,377.0	1,164
R. & D.	72.0	134.0	286.0	269.0	215.0	193.0
O. & M.	800.0	964.0	935.0	979.0	1,025.0	1.081.0
Total authorizations	1,783.0	2,570.5	3,473.6	3,643.6	3,753.9	3,745.4
Subtotal	1,516.2	2,043.7	2,098.0	2,453.7	3,164.5	4,112.0
Interest	471.8	567.5	663.0	640.2	560.4	432.2
End uncommitted balance	1,988.0	2,611.2	2,761.0	3,189.3	3,724.9	4,544.2

[1] 1982 taxes credited to Trust Fund after July 1, 1982

Attachment 3

ADAP BUDGET PROJECTIONS—SCENARIO 2 ASSUMPTIONS

	1982	1983	1984	1985	1986	1987
Tax Rates:[1]						
Air carrier ticket tax (percent)	7	7	7	7	7	7
International departure tax	3.00	3.00	3.00	3.00	3.00	3.00
Waybill tax (percent)	3	3	3	3	3	3
Aviation gasoline tax	0.12	0.12	0.12	0.12	0.12	0.12
Jet fuel tax	.14	.14	.14	.14	.14	.14
Tire and tube tax	.05/.10	.05/.10	.05/.10	.05/.10	.05/.10	.05/.10
Authorizations:						
ADAP	650.0	747.5	859.6	988.6	1,136.9	1,307.4
F. & E.	261.0	725.0	1,393.0	1,407.0	1,377.0	1,164.0
R. & D.	72.0	134.0	286.0	269.0	215.0	193.0
O. & M.	800.0	964.0	935.0	979.0	1.025.0	1.081.0
Beginning uncommitted balance	3,021.0	1,954.6	2,246.4	1,982.2	1,820.2	1,790.4
Revenue from taxes	249.0	2,334.7	2,629.7	2,961.8	3,308.5	3,665.1
Trust fund authorizations:						
ADAP	650.0	747.0	859.6	988.6	1,136.9	1,307.4
F. & E.	261.0	725.0	1,393.0	1,407.0	1,377.0	1,164
R. & D.	72.0	134.0	286.0	269.0	215.0	193.0
O. & M.	800.0	964.0	935.0	979.0	1,025.0	1.081.0
Total authorizations	1,783.0	2,570.5	3,473.6	3,643.6	3,753.9	3,745.4
Subtotal	1,487.0	1,718.8	1,402.5	1,301.0	1,374.8	1,709.9
Interest	467.6	527.6	580.3	519.2	415.4	300.0
End uncommitted balance	1,954.6	2,246.4	1,982.8	1,820.2	1,790.2	2,009.9

[1] 1982 taxes credited to Trust Fund after July 1, 1982

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Attachment 4

ADDITIONAL HOURLY COST OF FLYING UNDER THE PROPOSED AVIATION FUEL TAXES OF 12 CENTS PER GALLON ON AVGAS AND 14 CENTS PER GALLON ON JET FUEL

Aircraft type	Fuel consumption (gph)	Fuel type	Proposed compared previous taxes	Taxes with: current taxes
Light single engine	8	Avgas	$.40	$.64
Complex single engine	14	Avgas	.70	1.12
Light twin engine	21	Avgas	1.05	1.68
Cabin class twin engine	33	Avgas	1.65	2.64
Turboprop	73	Jet	5.11	10.22
Turbojet	266	Jet	18.62	37.24

Note.—Previous taxes: Avgas—$.07 per gallon, jet fuel—$.07 per gallon. Current Taxes: Avgas—$.04 per gallon, jet fuel—no tax.

Attachment 5

ADDITIONAL ANNUAL COST OF FLYING UNDER THE PROPOSED AVIATION FUEL TAXES OF 12 CENTS PER GALLON ON AVGAS AND 14 CENTS PER GALLON ON JET FUEL

[Personal transportation/recreation flying]

	Light single engine (8 gph)	Complex single engine (14 gph)	Light twin engine (21 gph)	Cabin class twin engine (33 gph)
Hours per year:				
20	$13	$22	$34	$53
40	26	45	67	106
60	38	67	101	158
80	51	90	134	211
100	64	112	168	264
120	77	134	202	317
140	90	157	235	370
160	102	179	269	422
180	115	202	302	475
200	128	224	336	528

[Business and corporate flying]

	Complex single engine (14 gph)	Light twin engine (21 gph)	Cabin class twin engine (33 gph)	Turbo-prop (73 gph)	Turbo-jet (266 gph)
Hours per year:					
150	$168	$252	$396	$1,533	$5,586
200	224	336	528	2,044	7,448
250	280	420	660	2,555	9,310
300	336	504	792	3,066	11,172
350	392	588	924	3,577	13,034
400	448	672	1,056	4,088	14,896
450	504	756	1,188	4,599	16,758
500	560	840	1,320	5,110	18,620
550	616	924	1,452	5,621	20,482
600	672	1,008	1,584	6,132	22,344

Notes.—Proposed taxes: Avgas $.12 per gallon, Jet fuel $.14 per gallon. Current taxes: Avgas $.04 per gallon, Jet fuel no tax.

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Senator KASSEBAUM. Thank you very much.

I would like to ask all three, and I know this has particularly been a concern to ATA, but the overall concern of whether Congress will use the moneys which we are proposing in this authorization, and do you believe it would be so objectionable to have a fallback or defederalization with the option of PFC that could be uniformly authorized and managed by the Department of Transportation?

Mr. IGNATIUS. I will respond to that, and perhaps the others would also. I think that would be a mistake. First, I think it would be very difficult to administer. If in 1 year the funds were not appropriated and a head tax were authorized and then the next year they were appropriated, would the head tax then be removed?

There are just a lot of problems associated with doing this, in addition to the basic concerns we have with respect to head taxes or passenger facility charges. You have made provision in the amendments that you intend to include in the bill for a relationship or a penalty, indeed, if there is a failure to appropriate the funds. That is, I believe, a very helpful step toward assuring what we all want, namely, that these authorization levels for the airports as well as for the airways are met by appropriations in the subsequent years. But we would very much oppose the inclusion of what I would call a head tax trigger in the bill in the event that the appropriation didn't occur.

Let's make sure the appropriations do occur. If they don't occur, we are going to have all kinds of problems in the airway system that can't be met by head taxes. We shouldn't just worry about the airport part of it.

Mr. EKEDAHL. I think we would agree with that. Those of us who oppose head taxes might find this more of a threat than a fallback position. Furthermore, I do think that the proposal as you have stated it does suggest a link between meeting capacity needs and meeting FAA operating costs, which is an assurance also if the funds are not used that the taxes will be reduced. I think we would prefer to go along those lines and would oppose that fallback position on the head taxes.

Mr. BURIAN. I cannot add much to that, Senator. I think our position is basically the same. We would strongly urge Congress, both houses, to go along with the appropriations to make sure we collect enough money to get the job done, spend the money for that, and we see no need for PFC's after that point.

Senator KASSEBAUM. I have some other questions, but I would recognize Senator Packwood at this time.

The CHAIRMAN. Mr. Ignatius, and in fact all of you made it very clear that we have airport problems which exist and are growing. You have all said that the levels of funding in the ADAP program are hopefully adequate to take care of this, but could you tell me what the situation would be if this doesn't pass or we don't have sufficient appropriations? What kind of immediate airport and airway problems are we facing, in your estimation?

Mr. IGNATIUS. Well first, the airway problems have been briefly addressed by the Administrator, but the essential point is that in the decade ahead of us there will be an increase from approximately 200,000 airplanes today to 300,000 at the end of the decade, based on FAA's estimates. Most of those airplanes will be general aviation airplanes, and increasingly within that grouping, airplanes that depend upon instruments and fly IFR. In short, there will be a saturation of capacity.

Second, there is a modernization aspect. While the computers that form the backbone of the air traffic control system are essentially adequate for their intended purpose today, they will not so remain with the passage of time, if only for logistical support reasons. These are computers that go back in time, and quite apart from the fact that the new ones are more efficient and more modern and less expensive to operate, there is the question of supplying parts and the necessary maintenance for the present ones.

Finally, there are important efficiency elements to the air traffic control plan that the administration has proposed that will assure the handling of aircraft in a safe and more efficient way, better routings, less burn of fuel and so forth, so that this part of the program, it seems to me, is absolutely essential, and the failure to enact it would confront the air traffic control system with constraints that would affect both the private flyer and the public who depend upon public transportation in the air.

With respect to airports, the problem is equally significant and it is important to accommodate the capacity that is anticipated. We need particularly to assure the retention of those airports that are today used for reliever purposes or have the potential for reliever purposes. It is this aspect of the airport program that is particularly important in order to handle the growth which, as I said earlier, is substantially a growth in general aviation airplanes.

Second, at major hub airports there are needs for increased capacities, runways, taxiways and so forth. If these amounts of moneys are not provided at the level that is included in the amendments that you have proposed, then we will continue, it seems to me, to fall behind and fail to have the capacity that the American people expect when they have occasion to fly: namely, that they will be able to fly with minimum delay to the destinations they want to go in a safe and efficient way. We are simply not going to be able to accommodate them.

The CHAIRMAN. Let me ask each of you this question. What if the ADAP bill doesn't pass or what if the levels are not high enough, or if the money for the airports is not enough and additional appropriations are inadequate. Then how should the airports support themselves? We have come down against a head tax. What should be the method for raising revenue? They can try to get a bond

issue passed. This approach fails more often than it passes, however. What would be your solution?

Mr. IGNATIUS. Well, you are postulating a situation that has not occurred before. Even the failure to pass a reauthorization of this legislation last year was accompanied by a 1-year shot in the arm, so to speak, by a $450 million, approximately, ADAP bill, which would help, but if there were no Federal bill——

The CHAIRMAN. Or not enough money. Should the local airports have any capacity to levy any kind of user fees?

Mr. IGNATIUS. Well, the levels that are included in the amendments to this bill would be adequate to meet the need. The concern that I think the airport operators have and the concern that we would share is whether the Congress will appropriate those moneys. I believe, with the penalties that would be included in this bill and with a national commitment institutionalizing this program, as I said earlier, that those funds would be appropriated. If they are not, then I think we would have to look at it again in terms of either user fees or some kind of a mechanism for raising funds. But that is something that we would come to, it seems to me, only if all other funding mechanisms failed, and I hope they won't.

The CHAIRMAN. You are not saying that you would reject the concept of a head tax if this fails? Let's go this route first, let's see what happens, let's hope we get it. I agree with you, I hope we do get it, and I think the chance for success are better than we have seen in 3 years. But don't eliminate other alternatives if this fails.

Mr. IGNATIUS. Well, yes, we have got to have an air transportation system, and if we don't have Federal support that is anticipated now in the Senate bill, we would have to look at some other means. But I hope that is a good distance away. I trust this will pass, and we want to do everything we can to ensure that it will.

The CHAIRMAN. I asked that of all three. If you have a different concern than Mr. Ignatius, you may comment.

Mr. EKEDAHL. I think the best way to assure future appropriation levels are adequate is to have all of the groups together pushing for it, and that includes the larger airports, the more powerful airports pushing for a continuing ADAP program adequately funded and appropriated.

Mr. BURIAN. I would only have to add, Senator, that, quite frankly, we have not even thought of that prospect. We have been channeling our efforts and our energies to getting an ADAP bill, and I share your confidence that we are going to get the package that is going to make the airports and airway system grow.

The CHAIRMAN. Thank you.

Senator KASSEBAUM. Mr. Ekedahl, I would like to ask you, what type of airport improvement do you feel would be most useful to the commuter carriers?

Mr. EKEDAHL. Well, we have had several areas of particular interest that we think can bring some relief to the system, the use of reliever runways, of alternative approaches for the smaller aircraft that do not necessarily need the runway distance or the separation that the larger aircraft need. These types of things we would hope would be an important part of the assessment that is in the modernization program and the national airspace review.

These suggest, without relatively high cost, an almost instant relief, and at the primary hubs where the congestion is greatest.

Senator KASSEBAUM. Working out of the primary hubs?

Mr. EKEDAHL. Well, working out of the hubs is very important to us because of the connections, you see. Seventy percent of our passengers are estimated to be linking, being brought to the primary hubs to be connected for the long-haul portion of their trip. So to separate the short-haul carriers to nearby airports would be very much a problem for us. So you see, we do have to be at those primary hubs to connect up with the majors.

Senator KASSEBAUM. Do you think the 8-percent ticket tax will have any effect on the commuter passengers?

Mr. EKEDAHL. Well, it certainly will because, as you know, it is very competitive. We are competing not only among ourselves these days but also with alternate modes of transportation, particularly automobile, and we are not eager for additional taxes at all. But when we weigh the balance of these additional taxes versus the long-term problems of constraint at the primary airports in the airway system, we have just come down very, very strong on the fact that additional taxes will be needed and we will have to lend our support.

In the long term it is an excellent tradeoff for us. We will pay the taxes in order to achieve the modernization and additional capacity in the system. We are unanimous, our people, in that view.

Senator KASSEBAUM. I think I must say that it shows a great deal of courage and vision on the part of the system, the air transportation system, the regional carriers in support at this particular time which is not an easy time for the airline industry to support higher ticket tax, and I think, as a matter of fact, that is the support that was necessary to sort of move it all along in the different phases because it is obvious that the airlines at this point are struggling, and if they are willing to go with the higher ticket tax to make it work, it is an incentive for everyone else to get behind the plan.

Mr. Burian, I would like to ask you what effect you think the 12-cent and 14-cent aviation fuel tax will have on general aviation. Do you see it having any major impact?

Mr. BURIAN. Well, every time there is an increase in price or taxes, it has the same net effect on the end user. The so-called little end of our industry is impacted first and perhaps foremost, but overall I do believe that the impact of increased taxes will not have as devastating effect as some of the doomsday people in our industry have predicted.

Yes, as I say, it does hurt the little guy. And yes, it does hurt the business people that we represent who sell the service and the fuel necessary to keep these aircraft aloft. But tracing history of the fuel prices, I can recall when we went from 50 cents to 85 cents a gallon and there was a hue and cry heard across the land that such an increase was going to just knock us out of the sky. Then we broke the $1 barrier and it was the same thing again. Now we are up to an average retail price on aviation gasoline nationwide of approximately $2 per gallon, and aviation as a whole is alive and well. And after we get out of this recessionary doldrums that we are in, aviation will prosper and grow.

One added thing on the proposed fuel taxes. I think a real starting point on these taxes is not the current 4 cents a gallon on aviation gasoline and zero cents per gallon jet fuel, but a more realistic level as a starting point, when we are measuring the increase in aviation fuel taxes, would be from the previous 7 cents a gallon.

We have made some calculations, and to give you a general idea of the impact of the user, based on the 7-cents a gallon fuel tax level, the light single engine aircraft increase or the actual cost to the user will range from 40 cents to $18.62 an hour, depending on the number of hours and type of aircraft flown. We did a similar comparison using current tax levels for the users of avgas and jet fuel, and that range was from 64 cents to $37.24 an hour increase, depending on the number of hours and type of aircraft flown.

Senator KASSEBAUM. That is calculated on the 7 cents?

Mr. BURIAN. Well, that is based on actually two perspectives. Based on 7 cents, per gallon tax on avgas and jet, my first comparison shows the lesser amount being paid in increased taxes. Or the old 7 cents a gallon fuel tax, which I think is a realistic starting point, going from 7 to 12 cents and 7 to 14 cents, respectively, on avgas and jet fuel.

The other comparison showed the range if you are looking at 4 cents a gallon on avgas, and zero or no cents a gallon on jet fuel. The comparison is still relatively small, a 64 cents an hour increased operating cost for the low end user, the light single engine, on up to $37.24 an hour for the turbojet aircraft. So we have that range in there. We have got it broken down.

I would like to draw your attention that on these tables a full breakdown of this cost impact is included as an attachment to my testimony.

Senator KASSEBAUM. I will appreciate that. As you know, AOPA believes that 8.5 cents is the acceptable level, and I think if you have those comparisons, that would be helpful. I would assume from what you are saying that you feel the 12 cents and 14 cents would not be that much more above, say, the 8.5 cents which is believed acceptable by the pilots.

Mr. BURIAN. Yes; what I am saying is we are seeing that 8.5 cents would be a penny-and-a-half increase over our previous tax level, which is a realistic starting point. And incidentally, 8.5 cents is what we would support if there was not an adequate airports package. But we think that our members feel that way, reluctantly I might add, and I would like to paraphrase something that Secretary Lewis said some months ago. We are willing to pay as we grow, and grow we must if we are going to prosper in the years ahead in aviation.

Senator KASSEBAUM. Thank you very much. We appreciate the time that you have taken this morning to testify.

The next panel is the airports panel. It is a pleasure to welcome Mr. McMillan, assistant director of finance, Houston, Mr. Orcutt, president of the American Association of Airport Executives, Mr. Reilly, who is executive vice president of the Airport Operators Council, and Mr. Corbett, who is vice president, Governmental Affairs, Airport Operators Council International.

STATEMENT OF DANIEL C. ORCUTT, PRESIDENT, AMERICAN ASSOCIATION OF AIRPORT EXECUTIVES AND EXECUTIVE DIRECTOR, INDIANAPOLIS AIRPORT, ACCOMPANIED BY DONALD REILLY, EXECUTIVE VICE PRESIDENT OF AIRPORT OPERATORS COUNCIL INTERNATIONAL, AND JACK CORBETT, VICE PRESIDENT, GOVERNMENTAL AFFAIRS: AND A. L. McMILLAN, ASSISTANT DIRECTOR OF FINANCE, HOUSTON INTERCONTINENTAL AIRPORT

Mr. ORCUTT. Madam Chairman, we appreciate the opportunity to appear before your committee this morning and comment on the proposed amendments to S. 508. Our full joint statement has been filed with the staff. I would just like to paraphrase some highlights of that statement.

Under S. 508 as it had been reported, airports that had been willing to voluntarily renounce all future ADAP if they could generate their own replacement funds through a PFC would now not be permitted to do so according to the new DOT position. In fact, because the airlines are so opposed to any airport having the right to collect charges from passengers, DOT would not allow any replacement funding source if for some reason voluntarily an airport opted out.

As a practical matter, then, all these airports now stay locked into ADAP for another 5 years under the DOT plan because voluntarily opting out without an alternate revenue source is at best a theoretical option. Under DOT's proposal, the Department would offer this administration's best effort to almost double planned ADAP funding to $5.2 billion for the same ADAP program that President Reagan 2 months ago had proposed to phase out completely.

DOT has indicated, parenthetically, that if the administration agreed to keep all airports locked into a Federal ADAP program, the airlines would then be willing to have the Federal domestic ticket tax to be paid by their passengers into the trust fund increased from 5 percent to 8 percent.

AAAE and AOCI have three major problems with the current DOT positions. First, the plan unfairly commits the domestic passenger to pay that share of the aviation system's cost for which other system users will not voluntarily pay and politically cannot be induced to pay.

We have never seen any cost/benefit analysis that allocates cost to the domestic passenger higher than the equivalent of a 6-percent Federal ticket tax to pay for the traveler's full pro rata share of any system airport or airway R. & D. and FAA operational costs.

For the airlines to offer an additional amount of their passengers' own funds and not their funds just so the airlines can continue to control the pace of airport development through the Nation is unfortunate and inequitable. For DOT to give up its entire New Federalism philosophy solely for the 2-percent ticket tax hike is strictly short term and, in our view, shortsighted.

Second, try as hard as we can, we just cannot convince ourselves that in this terribly tight era of Federal budgets, our Nation's airport system will ever get to spend all of the money and badly needed ADAP funding levels being promised, although DOT pro-

posed ADAP levels would theoretically increase 15 percent annually from a $690 million fiscal year 1983 base.

The word is from the Budget Committee that we will promise anything until the 8-percent ticket tax is safely enacted, but thereafter it is back to the old traditional rule of cut where you can.

In addition, we find full ADAP funding unlikely given the following known or anticipated facts: the present and forecasted high Federal deficits, the recurrent budget recommendations that all domestic Federal programs be frozen at 1982 levels, the struggle that ensued last year to get a meager $450 million ADAP program 2 weeks before the program ended, the prospect of the same thing happening this year, the continued strong pressures to fund a larger and larger portion of the FAA's operating expenses directly from user taxes before capital programs are funded, and the significant but necessary expenditure that will be needed to upgrade the airway system as proposed by the FAA, and the extremely low priority that the administration has placed on the entire ADAP grant program, at least until recent weeks.

S. 508 should continue to contain a provision that any time after the bill's enactment, any airport willing to get out on reasonable terms could renounce all future ADAP eligibility and impose a PFC in its place. In our view this right should be exercised no matter whether all the authorized ADAP funds were in fact made available in each year or not.

However, we could understand your inserting a trigger mechanism to allow airports to opt out and impose a workable PFC only if you and the Congress could not fully deliver the authorized ADAP level in any year. If time proves you correct and all authorized ADAP funds are in fact made available, then few airports would have opted out of ADAP for a PFC anyway and airline fears about rampant head tax ordinances would have been calmed.

What happens, however, if OMB and the Budget and Appropriations Committees do cut back on ADAP levels after you have gone ahead and eliminated any escape valve? Not only will the Federal Government not have been a help to airports, but Congress will have prevented us from solving our own problems.

Our third point is that the airline concerns over communities having an option to impose PFC on its own residents is out of proportion to the Senate bill currently tightly drawn provision limiting and controlling all such local charges. The PFC's are in place in 127 nations out of the 141 national governments for which data is available. That is up from 90 nations just 8 years ago.

What S. 508 currently authorizes is quite a limited PFC charge imposed by the airport-owning government on the passenger and collected by airlines or travel agents as part of the single combined total price of buying an airline ticket and including the applicable Federal tax and the local airport charge.

In summary, Madam Chairman, we are unable to support the DOT proposal to prohibit airports from getting out of a too limited Federal ADAP program and from solving their own problems with a modest passenger-charging mechanism.

Thank you.

[The statement follows:]

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JOINT STATEMENT OF DANIEL C. ORCUTT, EXECUTIVE DIRECTOR, INDIANAPOLIS INTERNATIONAL AIRPORT, INDIANA, AAAE PRESIDENT; J. DONALD REILLY, AOCI EXECUTIVE VICE PRESIDENT; J. J. CORBETT, AOCI VICE PRESIDENT—FEDERAL AFFAIRS; AND PAUL P. BOLLINGER, JR., AAAE ASSISTANT DIRECTOR

Madam Chairman and members of the subcommittee, we represent the American Association of Airport Executives (AAAE) and the Airport Operators Council International (AOCI). AAAE is the association of some 850 professional airport managers located at about 550 primarily municipal airports within the United States, from the largest metropolitan airports to very small general aviation facilities. AOCI is the association of governmental bodies that own and operate the principal airline-served airports in the United States. Between our memberships, we represent the majority interests of a very broad cross-section of all types of U.S. airports.

S. 508 AND NEWLY PROPOSED CHANGES

On behalf of those United States members, we are pleased to have this opportunity to comment on the package of extensive amendments to S. 508, Airport and Airway System Improvement Act, that DOT Secretary Drew Lewis has proposed to you and to us to radically change the underlying philosophical premises of that legislation as it had been approved by the Commerce Committee on April 29, 1981.

To understand why we are so mystified by the Department of Transportation's recent 180 degree change of direction regarding this legislation, you must first recall your original decision on S. 508 and then work forward in time. Then and now, S. 508 calls for the early enactment of a multi-year airport and airway financing program with tax levels as appropriate to fund all authorized programs and to draw down the prior Trust Fund surplus.

We continue to fully support that multi-year element of your legislation as well as your efforts to authorize the "highest achievable" Airport Development Aid Program (ADAP) levels for the vast majority of U.S. airports that want to re-start this program because their smaller passenger enplanement totals would not make feasible the other option of a locally-imposed Passenger Facility Charge (PFC) or so-called "head tax". However, as we will discuss, the term "highest achievable ADAP levels" has varied greatly over the last year and information about the PFC option has often been obscured.

RECENT HISTORY: ADAP PROGRAM HAS BEEN DECREASING IN VALUE AND DOLLARS

Because we thought it was in the best interests of aviation, the airport industry along with other aviation organizations supported the Airport and Airway Development Act of 1970 (AADA). Establishment of an aviation Trust Fund gave promise in future years of a stable source of financing for airports and airways capital requirements. The aviation users were to provide, through user charges, adequate funds for such development. The Trust Fund was to be a balanced one—income (user charges) was to roughly equate with outgo (expenditures). This concept was certainly an improvement over the original pre-1970 program where every year it was a struggle to get even that single year's appropriation before the year was over.

AADA became law, the Trust Fund was established, and the system worked reasonably well. At first, the airport program had modest increases. But then pressures mounted to spend an increasingly larger share of Trust Fund monies to meet FAA's regular operations and maintenance budgets. Over the years, the bureaucratic process worked its way; additional conditions for receiving grants were imposed; attempts to correct the nation's social problems through the airport grant process increasingly made projects more costly and lengthy.

Then the Act expired in September 1980. Since that time all FAA programs which were totally financed by the Trust Fund—that is, FAA operations, R&D and Airways Hardware (F&E) continued automatically to draw down the surplus. But, not so with the ADAP program. A stop-gap fiscal year 1981 ADAP authorization of $450 million emerged from the Budget Reconciliation Act last year just a few weeks before that fiscal year ended. As of this date, no program is yet authorized for fiscal year 1982 or beyond.

ADAP levels: Last year this Committee and the Reagan Administration agreed, because of intense Federal budget pressures, to reduce historical ADAP funding authorization levels by two-thirds over the fiscal year 1981–87 period to a constant $450 million annually (for a cumulative ADAP total of $2.7 billion).

Mandatory "defederalization" or ADAP defunding: Because there would not be enough available ADAP dollars at $450 million annually to adequately assist all eligible airports, this Committee and the Administration further agreed to remove the

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largest 69 (or 41) airports from ADAP eligibility so that the "available" $450 million ADAP each year could be expended solely on smaller airports. (As discussed at that time, "defederalized" airports would continue in actuality to be subject to most all current Federal red tape and statutory requirements so "defederalization" in this sense is mainly "ADAP-defunding.")

Passenger facility charges: Because it was clearly inequitable to force larger airports out of the ADAP program without any replacement revenue source, the Senate, Administration and House bills each proposed that airports renouncing all future ADAP would in turn then be eligible to generate replacement revenue by their locally imposing passenger facility charges (PFC). Such charges would be allowed by S. 508 through a Congressional modification to the 1973 Federal statutory prohibition against all such charges by airport proprietors on passengers.

Later in the year—after S. 508 was ordered reported—that $450 million ceiling was imposed on fiscal year 1981 appropriations. Then the Senate Appropriations Committee, following the lead of the Administration and this Committee, imposed another $450 million ceiling on ADAP obligations for fiscal year 1982. In conference with the House's $650 million ADAP ceiling, the conferees "compromised" at the Senate's lower $450 million cap and that was that.

More was coming. In January, President Reagan announced his "New Federalism" program and proposed in his fiscal year 1983 Budget that, after a small but steady diet of $450 million ADAP programs annually though fiscal year 1987, the entire Federal ADAP program would be ended completely and turned over to State governments to continue or drop as they wish. Under this approach, advanced by DOT Secretary Lewis before skeptical Appropriations Subcommittees, our local governments would be required to withdraw from Federal grant programs like ADAP to the greatest degree possible and to take with them the local revenue sources that would allow these municipalities to undertake their development programs without involving Uncle Sam as the expensive middleman.

Further, FAA Administrator Helms in March urged the House of Representatives to greatly increase airways modernization expenditures from the Aviation Trust Fund—which we support—while keeping the ADAP program at the Administration proposed level of $450 million a year—which we do not support. . . . And this Committee that same month sent its Views and Estimates to the Senate Budget Committee with another $450 million annual cap proposed on ADAP for fiscal year 1983 and fiscal year 1984.

Our memberships by this time reasonably thought they were hearing a clear and consistent message from Washington of "too little" ADAP funding likely being "achievable" during the coming years to adequately finance all eligible airports. For these reasons, and as they were also reading in their own newspapers about the constantly increasing pressures on Congress to reduce Federal deficits, these airport officials on March 22 adopted a change in our joint Aviation Trust Fund position as follows:

Because airports, regretfully, can no longer look upon ADAP and the Trust Fund for an increasing and assured level of airport capital development funds coming indirectly from the airline passenger through the Federal aviation user tax structure, AOCI/AAAE shall petition Congress for the right of every airport to voluntarily opt out permanently of ADAP eligibility and, along the lines proposed in S. 508, to be able to impose a workable local charge directly on passengers no matter whether the Houses of Congress also promise high or low ADAP levels in their authorization bills.

With these unrelenting pressures from the Senate and the Administration to "get out of ADAP and finance your own capital development needs without cycling your revenues and expenses through the Federal budget," you can imagine how perplexed we were to be asked only two weeks later by the Department of Transportation to join the DOT and the airlines in their 180 degree turnabout of policy that is the subject matter of these hearings today. We declined then and we do so again now.

As proposed by the airlines and now accepted by the Reagan Administration:

Mandatory federalization with no PFC option: Airports that had been willing, under S. 508 as reported, to voluntarily renounce all future ADAP if they could generate their own replacement funds locally through a PFC (as outlined in S. 508) would not now be permitted to do so, according to the new DOT position. In fact, because the airlines were so opposed to any airport having the right to collect charges from passengers, DOT would not allow an airport any replacement funding source if it for some reason "voluntarily opted out."

As a practical matter, then, all these airports will stay locked into ADAP for another five years under the DOT plan because "voluntary opting out" without an al-

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ternate revenue source (or a reduction in Federal passenger taxes) is at best a theoretical option. Any airport manager who turns down available ADAP funds without getting something of equivalent value for his/her community is an instant addition to the community's unemployment roster. But, then again, for some other communities willing to forego future Federal ADAP grants and to go it alone with a PFC option, being limited to ADAP only is somewhat like the description of some airline food: it doesn't taste very good but, if you're hungry, there's no other choice and, anyway, it's already been paid for.

Higher ADAP levels: Under DOT's proposal, the Department would offer this Administration's "best efforts" to almost double planned ADAP funding (to $5.2 billion) for the same ADAP program that President Reagan two months earlier had proposed to phase out completely! DOT has indicated parenthetically that, if the Administration agreed to keep all airports locked into a Federal ADAP program, the airlines then would be willing to have the Federal domestic ticket tax to be paid by their passengers into the Aviation Trust Fund increased from 5 percent to 8 percent.

AIRPORT ASSOCIATIONS TERM NEW PLAN AS INCOMPLETE AND PROBABLY UNREALISTIC

AAAE/AOCI have three major problems with these current DOT positions.

First, the plan unfairly commits the domestic passenger pay for that share of aviation system costs for which other system users will not voluntarily pay and politically cannot be induced to pay. We have never seen any cost/benefit analysis that allocates costs to the domestic passenger higher than the equivalent of a 6 percent Federal ticket tax to pay for the traveler's full pro-rata share of system airport/airway, R&D and FAA operations costs. For the airlines to offer an additional amount of their passengers' own funds (not airline funds) just so the airlines themselves can continue to control the pace of airport development throughout the nation is unfortunate and inequitable.

And for DOT to give up its entire "New Federalism" philosophy solely for this 2 percent tax hike is strictly short-term politics, and is, in our view, shortsighted.

Second, try as hard as we can, we just can't convince ourselves that, in this terribly tight era of Federal budgets, our nation's public airport system will ever get to spend all the higher and sorely needed ADAP levels being "promised" by DOT and by you, Madam Chairman, in your support for this new proposal to further amend S. 508. Although DOT-proposed ADAP funding levels would theoretically increase 15 percent annually from a $690 million fiscal year 1983 base level, the private word from the Budget Committees seems to be this: "We'll promise anything until the increased 8 percent tax is safely enacted. But, thereafter, it's back to the old traditional rule of 'cut wherever you can'."

In addition, we find full ADAP funding unlikely given the following known or anticipated facts: present and forecasted high Federal budget deficits; recurrent budget recommendations that all domestic Federal programs be "frozen" at fiscal year 1982 levels; the struggle that ensued last year to get a meager $450 million ADAP program two weeks before the year ended; the prospect of the same thing happening this year; the continued strong pressures to fund a larger and larger portion of the FAA's operating expenses directly from user taxes before capital programs are funded; the significant but necessary expenditures that will be needed to upgrade the airways system as proposed by FAA; and the extremely low priority that this Administration has placed on the entire ADAP grant program, at least until recent weeks.

This Committee should not force all airports to stay in a too small Federal ADAP program if some of those captive airports are willing to get out on reasonable terms and with a modest passenger facility charge. S. 508 should continue a provision that, any time after the bill's enactment, any airport could renounce all future ADAP eligibility and locally impose a PFC in its stead. In our view, this right should be exercisable no matter whether all the authorized ADAP funds were in fact made "available" in each year or not. However, we could understand your inserting a trigger mechanism to allow airports to opt out and to impose a workable PFC only if you and the Congress couldn't fully deliver the authorized ADAP level in any year.

If time proves you correct, Madam Chairman, and all authorized ADAP funds are in fact made available, then few airports would have opted out of ADAP for a PFC anyway and airline fears about rampant "head tax" ordinances would have been calmed.

Airports still hope that Congress will currently expend all aviation user tax monies for the purposes for which they were collected (including ADAP). Our members, however, have great fears that OMB and the Budget Committee will have no

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fiscal choice but to limit ADAP expenditures in the out years so that the Trust Fund's surplus of aviation user tax receipts can help balance the overall Federal deficit. This occurred to the extent of $3.7 billion during the 1970's and is ever more likely to occur again in this decade with Federal deficit totals looming so large.

But what if OMB and the Budget and Appropriations Committees do cut back on ADAP levels after you have gone ahead and eliminated any "escape valve" so that communities could not impose a PFC when ADAP is unacceptably low? Not only will the Federal Government not have been a help but the Congress will also have prevented airports from solving their own problems.

Third, the airline hysteria over a community's having an option to impose a PFC on its own residents is out of proportion to the Senate bill's current tightly-drawn provision limiting and controlling all such local charges.

Passenger Facility Charges are in place in 127 nations out of the 141 national governments for which data is available. That's up from 90 nations just eight years earlier. What S. 508 currently authorizes is a quite limited (PFC) charge imposed by the airport-owning government on the passenger and collected by airlines or travel agents as part of the single combined total price of buying an airline ticket and including the applicable Federal tax (perhaps 6 percent of the fare) and the local airport charge (perhaps 2 percent of the fare).

In addition: prior to the 1973 statutory prohibition, 50 U.S. airports were collecting PFC's without any problems despite the strong efforts of the airlines to scuttle the program wherever possible.

the U.S. Supreme Court said such a charge is a reasonable approach for assessing the passenger for that part of the cost of airport facilities that can't be generated from other user sources.

The general public, as users of the highway system, accept the concept of paying such a charge for the use of a bridge, tunnel or so many miles of highway.

Frankly, we believe that the airline opposition to any PFC is not related to their public statements of possible inconvenience to passengers, or to the difficulty in accounting for collection and disbursement. Rather the objection is airline loss or diminution of control over airport development. "Airports are not to be trusted with funds flowing directly from the passengers" because the airlines insist that they and the FAA are better judges of needed airport development.

The record indicates otherwise. Our country has by far the best system of airports in the world; we provide airport facilities and services at costs well below airports in most other countries. The U.S. airports are almost exclusively operated and developed by local governments. This contrasts sharply with the system of Federal airport ownership elsewhere. There is certainly a message here—the message is that the financial planning and control exercised by local airport officials works and works well. We know of no airport that has not met its financial obligations.

In summary, Madam Chairman, we are unable to support the DOT proposal to prohibit airports from getting out of a too-limited Federal ADAP program and from solving their own problems with a modest passenger charging mechanism. But, to the extent your proposed ADAP authorizing levels are in fact achieved, our financial (but not philosophical) differences are minimized.

Thank you.

Senator KASSEBAUM. Thank you very much.

Mr. REILLY. At this time Mr. McMillan would like to make a statement on behalf of several airports.

Mr. MCMILLAN. Thank you, Madam Chairman and members of the committee. We have submitted for the record some rather lengthy written testimony and I will not, obviously, read it this morning. With your permission, I would just hit a couple of highlights of it.

I am here this morning to make a joint presentation on behalf of the cities of Houston and Kansas City, the State of Maryland, the Commonwealth of Puerto Rico and the Puerto Rico Airport Authority, and the Airport Authority of Louisville and Jefferson County, Ky.

Each of these entities owns and operates at least one major air carrier airport and each recognizes that the continued growth and

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prosperity of the metropolitan area served by those airports is tied to the growth and development of the air transportation systems.

The opening statements made by yourself and by Senator Packwood this morning indicate, of course, that the committee has a very full understanding of the seriousness and the importance of the development of the airports, so I would not dwell on that.

We are pleased at the proposal that has now been made and we fully support the proposal as outlined this morning for the amendment to the proposed ADAP legislation. We think that we are about to get somewhere and we are about to eliminate our annual meetings as you referred to earlier, Madam Chairman.

ADAP grants represent the most efficient means of financing airport developments, and we have figures in our testimony and we have other figures we can give if appropriate that will support this statement. It is economically an efficient way to go.

We have heard concerns expressed this morning and we, too, somewhat share these concerns about what happens if our good intentions do not produce results in the future years. What happens if we go into a plan and the funds do not materialize? Any such unfortunate action would, of course, defeat the purpose of long term reauthorization by eliminating the predictability and assurance of adequate funding levels that are necessary for the airports to plan properly their capital development programs.

We hope that some workable mechanism can be included in the bill to guard against the possibility of inadequate appropriations.

Senator KASSEBAUM. Do you think the penalty concept that is written in would be a sufficient mechanism?

Mr. MCMILLAN. Madam Chairman, I have not had the opportunity to see the amended copy of the bill in full. I do not know exactly what language is in there. But from what I have heard expressed earlier this morning, I think what I have in my testimony about proposing a conditional PFC to be triggered in the event that the funding levels do not materialize as hoped for would serve the purpose, yes, ma'am.

And since that is the part of my testimony I was about to read, I will just go right on over to state that we support ADAP funding rather than a PFC. We do not think PFC is a preferred course of action because we think it is uneconomical, that ADAP funding makes it possible to produce airport facilities at less total economic cost to the communities and to the air traveler.

I believe I would just say in conclusion that we certainly almost can just say "Amen" to what Senator Kassebaum and Senator Packwood said in their opening statements this morning and just be prepared to answer questions.

[The statement follows:]

STATEMENT OF A. L. MCMILLAN ON BEHALF OF THE CITY OF HOUSTON, THE STATE OF MARYLAND, THE CITY OF KANSAS CITY, THE COMMONWEALTH OF, PUERTO RICO/PUERTO RICO PORTS AUTHORITY, AND THE AIRPORT AUTHORITY OF LOUISVILLE AND JEFFERSON COUNTY, KY.

Madam Chairman and members of the committee, I am Alton L. McMillan, Assistant Director for finance of the Department of Aviation of the City of Houston. Accompanying me is Robert E. Cohn, Washington Counsel for the City of Houston. I am here this morning to make a joint presentation on behalf of the Cities of Houston and Kansas City, the State of Maryland, the Commonwealth of Puerto Rico/

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Puerto Rico Ports Authority, and the Airport Authority of Louisville and Jeferson County, Kentucky. Each of these entities owns and operates at least one major air carrier airport. Each recognizes that the continued growth and prosperity of the metropolitan areas served by those airports are tied to the growth and development of their respective air transportation systems. it is because airport development is such an important concern that we very much appreciate this opportunity to share our views with the Committee on the reauthorization of the Airport Development aid Program ("ADAP").

Through press reports and as a result of communications with the Committee's staff we were very pleased to hear of the Committee's recently-announced compromise proposal concerning ADAP reauthorization. As we understand it, this proposal would reauthorize ADAP from 1982 through 1987 at levels of $600 million for fiscal year 1982 and $690 million for fiscal year 1983, with annual 15 percent increases thereafter. There would be no mandatory defederalization, but the proposal would provide for voluntary defederalization coupled with relief from some regulatory requirements. The proposal would not authorize the imposition of a passenger facility charge.

To summarize our position, the cities on whose behalf I am appearing today endorse the comprose proposal, with some modifications that I will discuss later on. it represents an excellent package that balances the interests of all parties and is responsive to the need for a long-term program to provide federal assistance of airport capital improvements. Houston, as well as the other airport operators I represent today, has long advocated the continuation of the highly successful ADAP program, and the continued eligibility of all airports, large and small, to participate in ADAP. We have also recommended that the ADAP program be funded at adequate levels, with no less than $750 million annually. While the initial funding levels under the compromise proposal are less than this, the other years are higher, and on average the levels appear to be adequate. Any amount less than the compromise proposal will not provide enough funds to allow airports to meet, even minimally, their needed capital construction requirements. We think there ought to be a mechanism included in the bill to protect against a failure to appropriate funds at the authorized levels. As before, we believe that ADAP should be funded by the users of the national air transportation system through a ticket tax paid into the Airport and Airway Trust Fund ("Trust Fund"). We strongly oppose the mandatory "defederalization," or more accurately, "defunding," of the nation's largest airports.

I. ADAP FOR ALL AIRPORTS IS CRITICAL TO THE CONTINUED VIABILITY OF THE NATIONAL AIR TRANSPORTATION SYSTEM

ADAP has been a proven success. It has permitted the development of a national airport system with an equitable allocation of the costs of that development among the beneficiaries thereof—the airport users themselves. The national airport system cannot be abandoned by the federal government. It must continue to grow and develop as an integral part of the national air transportation system.

In recent weeks much attention has been given to the Administration's proposed national airspace plan. While this plan presents a worthy and necessary goal, it should not be embraced at the expense of ADAP and continued airport development. Airspace improvements and the development of airport facilities must go hand-in-hand. Not only does every flight require safe, monitored routes, but it also requires adequate, safe, and suitable facilities for take-off and landing. Without adequate ADAP funding for the major airports to assist in capital improvement financing, the nation's air transportation system will become clogged, constrained, and congested. As indicated in the Report of the Office of Technology Assessment ("OTA") on the Airport and Air Traffic Control System, dated January 1982, while appropriate management and air traffic control can help alleviate airport congestion and delay problems, airport capital improvements are also necessary and vital tools in coping with increased air traffic. Only the continuation of a well-funded ADAP program for all airports can assure that airport facilities will be able to meet increasing national air transportation demands.

The need for a continued ADAP program at an adequate level of funding is particularly critical during this post-deregulation era. Deregulation has spurred the development of scores of new airlines and the growth and expansion of existing airlines. In the case of Houston, for example, enormous population and economic growth has made Houston a major transportation growth center. Since 1978, over 22 new airlines have entered the Houston air service system. This phenomenal influx of new service has stretched Houston's airport facilities to their limits and has forced Houston to undertake major capital improvement programs. The other air-

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ports which I am representing have experienced similar growth and facility problems. Without ADAP funds, however, airports throughout the country will be unable to keep pace with the continued and increasing demands for needed capacity expansion.

This is not just hypothesis, it is very real. In Houston, the city with which I am most familiar, several ADAP eligible projects have already been identified for Houston Intercontinental, including the construction of a fourth terminal (Terminal D) and a much needed and long planned East-West runway. Houston was recently forced to reconsider and defer construction of Terminal D because of the current financial and bond-market climate and the uncertainty of the ADAP program. The sorely needed new third runway may suffer a similar fate. Such a postponement would add greatly to the air carriers' delay-related costs, which are projected to increase from the present level of about $10 million to approximately $65 million by 1985 unless the needed facilities are constructed.

Under the ADAP program as it existed through 1980, a portion of the terminal project cost and a larger portion of the runway project cost would have been ADAP eligible. ADAP grants would have reduced the amount of City-generated funds required for these projects, changing both projects from being infeasible or marginally feasible to being definitely feasible. Using 25 year, 13.5 percent bonds as the basis, the airport operator must pay back $3.50 in principal and interest for each bond fund dollar used. This means that for each $10 million in ADAP grants, the airport operator would save $35 million in debt service, or $1.4 million per year. This represents an enormous cost saving.

In order to assure enough ADAP coverage for airport requirements throughout the country, we recommend an average annual ADAP funding level of no less than $750 million for fiscal year 1983 and subsequent years, coupled with some percentage adjustment for inflation. We believe such levels of funding are necessary to continue a successful ADAP program. When ADAP expired in fiscal year 1980 it was funded at $600 million. Since 1980, long term reauthorization of the program has not been achieved. For fiscal year 1981 an interim program was authorized and funded at only $450 million. For fiscal year 1982, a $450 million ceiling on ADAP expenditures was provided in the appropriations bill, but no authorization for spending those funds has yet been enacted. Thus, during the current fiscal year no ADAP funds have been available.

As a result of these past two years of low or no funding, ADAP eligible projects have "backed-up." In addition, rising construction costs continue to make all delayed projects and future projects more expensive. As a result, $750 million represents a minimum acceptable average annual funding level for fiscal year 1983 and subsequent years in order to catch up and keep pace with growing airport construction requirements.

Although S. 508 as currently written would not authorize ADAP funding at this level, we understand that the Committee is seriously considering a compromise proposal to authorize $600 million for fiscal year 1982 and $690 million for 1983, with annual 15 percent increases through 1987. We believe that this approach is sound, and would, over the multi-year authorization period, provide sufficient funds to meet most airports' capital needs. We therefore endorse this proposal, and urge that it be enacted.

We are concerned, however, about the possibility that the authorized level of funding may not be provided for in the annual budget resolution or appropriations act. Any such action would defeat the purpose of a long-term reauthorization by eliminating the predictability and assurance of adequate funding levels that are necessary for airports to plan properly their capital development programs. We hope that some workable mechanism can be included in the bill to guard against the possibility of inadequate appropriations.

First, at a minimum, since ADAP is user financed, the bill should include a strongly worded declaration that it is the intent, will, and desire of Congress that all funds authorized for this program be appropriated and obligated.

Second, the Committee should consider including incentives in the bill for the Administration to actively support, and for the Congress to approve full funding of the proposed ADAP authorization levels. In this regard, the Committee might consider tying the level of FAA operations and maintenance (O & M) or facilities and equipment (F & E) appropriations and obligations to the level of ADAP funding. In other words, for example, if only 75 percent of the ADAP authorization were funded or obligated, not more than 75 percent of the authorized levels of O & M or F & E could be funded and obligated.

Third, we urge the Committee to also consider including an inchoate authorization of a local option passenger facility charge to take effect only when and if ADAP

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appropriations in any one year fall below authorized levels. I will discuss this mechanism in the next section.

II. IF ADEQUATE ADAP FUNDING CANNOT BE GUARANTEED, AIRPORTS MUST BE ABLE TO RAISE CAPITAL IMPROVEMENT FUNDS FOR THEMSELVES

As I indicated above, we believe that ADAP funding at an average annual rate of $750 million in 1982 dollars is the minimum amount necessary to enable airports to fund adequately their capital improvement needs. Given the uncertainties of the budget and the appropriations process, however, we consider it necessary to suggest that airports be given a conditional alternative source of funds in case out-year ADAP funding should fall below the proposed authorization levels.

This could be done by conditionally authorizing local authorities to impose a passenger facility charge (or "PFC"), with that authorization to take effect only if ADAP appropriations fall below the proposed authorization levels. Under this type of "trigger PFC" system, airports that receive insufficient funds for their capital needs because of inadequate Congressional funding could voluntarily opt out of the ADAP program and impose a locally determined PFC. Without a safeguard of this sort, airports would continue to be dependent upon an airport development program that might not meet their needs, but would be unable to generate enough local funds to make up the difference.

I want to emphasize that our primary concern is to have adequate ADAP monies available in the out-years. It would be our preference for Congress to fully appropriate funds at the authorizing levels so that the "trigger PFC" may never be implemented. Since ADAP is wholly financed and supported by users of the system, there really is no reason for Congress not to fully fund the program each year. But we are all familiar with the appropriations process and the pressures to reduce federal spending; we are also familiar with the fact that there is some history of a disparity between ADAP authorizing levels and appropriations. We think that the conditional trigger PFC will serve as a safeguard to assure airports of a continued source of funds during the life of the ADAP program for their much needed capital improvement programs.

On the other hand, we support ADAP funding rather than PFC funding as the preferred course of action because we believe that the collection of revenues through a PFC is not as economically efficient as ADAP. ADAP provides a direct cash infusion and as a result reduces the extent of the sponsor's indebtedness. Revenue generated through a passenger facility charge would not permit airports to make immediate cash outlays for construction costs. Rather, the passenger facility charge would only allow airports to increase their local limits on indebtedness. Thus, without ADAP airports would be forced to finance ever larger portions of their construction costs over 25–30 year periods. As I mentioned before, the debt service costs involved are tremendous, and have already forced Houston Intercontinental, the country's 16th largest airport, to defer construction of needed additional facilities.

In addition, there are administrative difficulties that a PFC will impose on air carriers and airports that need to be thought through and resolved to the satisfaction of all participants. In this connection, perhaps the authorization bill now under consideration could direct the CAB or DOT to undertake a study to develop a PFC mechanism within, say, one year of the date of enactment.

Despite the difficulties we perceive with the PFC mechanism and our strong preference for ADAP funds, we urge that a trigger PFC be authorized to provide airports with an alternative source of funds in case out-year appropriations fall below the authorized levels.

III. WE OPPOSE THE PROPOSAL IN S. 508 TO DEFUND THE LARGEST AIRPORTS BECAUSE SUCH DEFUNDING IS NOT ECONOMICALLY FEASIBLE AND IS INEQUITABLE

The so-called "defederalization" proposal, as embodied in the reported version of S. 508, ignores economic realities and would be grossly inequtable to the defunded large airports. The proposal is predicated on the myth that absent ADAP funds, the largest airports can generate sufficient revenues through other sources such as higher landing fees and airport revenue bonds. In fact, however, these other sources of revenue are illusory.

Most airport operators have long-term contracts with airline tenants that will not be voluntarily renegotiated by the carriers. Defederalization will not ensure that carriers will agree to renegotiate higher fee agreements, particularly when airlines are currently facing devastatingly high losses systemwide. Any higher fees would have to be passed on to passengers through higher fares, which would have an ad-

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verse impact on traffic generation and further contribute to eroding airline economics. Established carriers will not willingly "ante up" funds—through higher landing fees or other charges—to build new facilities for new entrant airlines. The elimination of ADAP funds at the nation's largest airports could, therefore, adversely affect the success of Congress' airline deregulation program.

Mandatory defederalization of the nation's largest airports would also be grossly unfair. The large airports have been and will continue to be the major contributors of monies to the trust fund. The airports proposed for defederalization contribute about 85% of the annual trust fund revenues. With defederalization, at least as embodied in the reported version of S. 508, these airports will still be required to contribute to the trust fund, and will still be subject to the many burdensome rules, regulations and requirements imposed by the federal government. Defederalization would, however, prevent these airports from recouping any of their trust fund contributions. In short, the airports would be defunded, not defederalized.

It would be grossly inequitable to deprive the major trust-fund revenue generators of any access to the revenues which they produce and will continue to produce. It would also place airports, such as Houston's and the others I represent, that have experienced major increases in airline service during the recent post-deregulation period, at a substantial competitive disadvantage vis-a-vis other airports whose major capital improvement programs have already been financed and completed with ADAP funds.

We strongly urge that any defederalization be enacted only on a voluntary basis, and therefore support the recent Committee proposal coupling voluntary defederalization with regulatory relief. Voluntary defederalization coupled with a reduction of regulatory requirements might make sense for some airports.

In conclusion, we urge that ADAP be continued at least through 1987, maintaining eligibility for all airports that were eligible when the program expired. While we believe that $750 million represents the minimum average annual funding level necessary to keep pace with airport requirements, the funding levels provided in the compromise proposal are, in our view, adequate for these purposes. We continue to oppose mandatory defederalization, but support voluntary defederalization coupled with a reduction of federal regulatory requirements. Finally, we believe that the imposition of a passenger facility charge should be permitted on a conditional basis if ADAP funding levels fall below those provided for in the compromise bill.

Madame Chairman and Members of the Committee, thank you for allowing me the opportunity to appear before you. I would welcome any questions that you may have.

Senator KASSEBAUM. Thank you very much.

Mr. Corbett, do you have any comment?

Mr. CORBETT. No, Madam Chairman.

Senator KASSEBAUM. Chairman Packwood.

The CHAIRMAN. Mr. Orcutt, explain to me how your trigger mechanism would work if the ADAP funds are not sufficient. Could every airport use it, only those that were short of funds? I know they all think they are short of funds, but give me more specifics as to how the trigger would work.

Mr. ORCUTT. As we envisioned it, and perhaps Don could expand upon it, if the funding level dropped below a certain level, then airports could opt out of the program. What this would do is two things. No. 1, it would give them the option of developing funds themselves, and second, it would allow the remaining lower level of funding to be available for the remaining airports in the program. So it accomplishes a twofold purpose.

Now, the specific level, we hadn't focused on a specific level to draw the trigger.

The CHAIRMAN. Are you thinking of any other method of raising funds besides the head tax?

Mr. ORCUTT. I really didn't have any in mind here. There are not very many methods left to the airports.

The CHAIRMAN. Oh, you are just not as imaginative as Congress.

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Mr. ORCUTT. Well, I suppose you could set up a toll road coming into the airport. That is about the only thing left.

Mr. REILLY. Senator Packwood, in response to that question, I think that airports across the country basically feel that considering the very soft economic situation that we are faced with now that prospectively will continue, that the airline adverse financial situation, the price of concession fees the way they are right now, airports really do not have that many options.

We have the basic landing fee, which produces about $370 million a year to airports. The only alternative is the ADAP program, and as has been expressed, we have severe problems with the prospects that we face in trying to get the authorizations in place, but then each year thereafter getting the appropriations made and the moneys obligated.

It is for this reason, when we know we are going to be faced with some horrendous national deficits in the outyears, that we are very nervous about the ability of the Congress to produce those moneys.

I think it has already been said that the industry and everyone involved feels that the airports are a significant part of this problem. If we do not keep our airports up to the same level as the airspace program, it is going to be the weakest link effect and we are still going to be faced with horrendous capacity congestion slot problems in the future.

As the airlines themselves say, without the kinds of money that is needed for capacity problems, the number of slotted airports could well double by the end of the eighties and double again by the end of the nineties.

The CHAIRMAN. Let me come back again to my question. We all agree, I think, on the need. But assume the ADAP funds are not enough. Are you suggesting that the only thing you can think of to raise money is the head tax; whether it is a trigger or not. Can you imagine or foresee any other method of raising additional revenue locally?

Mr. ORCUTT. May I respond to that? Many airports might have some local prohibitions on things they can do. I have noticed a group of airports recently getting into industrial parks. But in some States you cannot do that. There is a limit on concession revenues. You can raise your parking fees to the point where it is more practical for private enterprise to purchase an expensive piece of ground across the street from the airport and actually draw traffic away from the airport. You actually have a point of diminishing returns.

I believe also the public has gotten to the point where they will only pay $2 or $3 for a hamburger in an airport as a result of concession fees. They all say you cannot look to the carriers as a major source of new revenue. In our case the carriers represent about 30 percent of our income.

Even if that was increased, it may not meet and wouldn't meet all of the future capital expenditure requirements in our airport. It has to be a combination of all those things, and the largest one available is the passenger facility charge.

The CHAIRMAN. So it has to be the head tax.

Mr. ORCUTT. It is the most practical outlet, yes, sir.

The CHAIRMAN. So it is this or nothing.

Madam Chairman, I have to go the White House for a meeting on the dissolution of the Department of Energy, and I am going to leave. Congratulations on excellent hearings.

Gentlemen, I will see you later.

Senator KASSEBAUM. Thank you, Mr. Chairman.

As a member of the Budget Committee, let me assure you that I will certainly be vigilant in seeing that the trust fund moneys will be used as so designated. I know from having served on the committee since I have been here that it has been a difficult struggle, and through the past administration and this administration, reluctance to use that and draw down that trust fund money, but I do believe that with the frustration and the controversy that this has come to a head now, that there will be every effort made to see it is used as authorized.

The penalty mechanism that is in the legislation as it exists now, of course it would be a penalty to the Department of Transportation, specifically really more to FAA because it would reduce the O. & M. money that would be available or the F. & E. money if indeed it was not used for the development programs that had been anticipated.

But I would like to ask, because AOPA in their testimony will be commenting on the fact that Los Angeles International has been spending or is spending nearly $200 million on a terminal improvement project, and this they use as an argument for defederalization, that this was being done without the availability of moneys, and why can't airports like O'Hare or Los Angeles International fund expansion improvement programs without passenger facility charge?

Mr. REILLY. Madam Chairman, I think you must realize that every major airport in the United States has a binding contract with the airlines that specifies what the airline fees are going to be to the airport. Sooner or later, and probably sooner, considering the situation, the airlines are not themselves going to have the money to be able to voluntarily go forward with the types of massive construction programs that are needed through the 1980's.

More particularly, while there may be some airline at any one particular airport that does want to go forward with the necessary development, there are others in a lesser economic situation that, even though they might want to go forward, cannot agree to do it. This raises the problem where it is very, very difficult to get the airline approval across the board at a major airport when you are often talking 30 to 40 different airlines, to give approval to these types of massive programs, and I think you will find that at Chicago that is the situation right now.

There is a great difference of opinion among the airlines as to whether they feel they can afford to go forward with the types of development programs that the city of Chicago feels are most important.

Senator KASSEBAUM. Well, if the city of Chicago feels that it is that important, then of course they have a certain responsibility there too, I should think, as well.

Mr. REILLY. Well, they absolutely do, and this is why they feel they would like the option of using that PFC.

Senator KASSEBAUM. It seems to me there is a potential problem for us in the future, though, that both the airport operators and the airlines are going to have to work more closely for future planning. It is very sad, for instance, to see Kansas City, with the major expansion that they embarked on with the new airport there, being underused when St. Louis has now become so congested with a frantic development project, and it makes you wonder about the type of future planning that we are seeing if indeed every 5 years there is a reevaluation of where the hubs are going to be.

And I suppose that is only natural in a major national transportation system, but I think when we are talking about the large allocation of moneys that we are, it is going to take some very thoughtful cooperation on the parts of carriers and airport operators.

I would like to ask if any of the groups that you represent have studied the national air space systems program and do you generally support the plan as it is devised?

Mr. REILLY. Madam Chairman, while we have not gotten deeply into a full evaluation of the airspace program as to its technical aspects, we too certainly support the absence of need for the development of the airspace program, and we do applaud the Administrator for the fine efforts that he has made in putting forward what appears to be a very reasonable and sensible program.

Senator KASSEBAUM. If you have any detailed comments on this as you study it, certainly I think the subcommittee would be very appreciative of your submitting any comments to us.

Mr. REILLY. Of course, our main comment there is that we are definitely supporting the enhancement of the airspace program, perhaps to our own ultimate greater embarrassment in the outyears because with a well-honed airspace program, we obviously are going to become the target of, to a greater extent, the future aviation delays in this country, and that is, of course, our sole purpose in trying to form the best possible airport side of this program now.

And if I may just add, Madam Chairman, as a very vital member of the Budget Committee, we certainly appreciate your commitment to assuring the future ADAP moneys. You did mention the aspect of penalty being written in. Of course, that is a negative approach to the problem because it still does not provide the funds that are needed. What it just means is that if the FAA doesn't spend the airport funds, that they can spend their own money. And, of course, the airports are still left with lesser funds.

We also recognize that when the budget does get passed by the Senate and House, they frequently have the notwithstanding clauses in them that say no matter what promises we put into the individual authorizing bills, they may not be worth too much.

I would hope, Madam Chairman, that if for any reason the Senate committee cannot find its way clear to go foward with this very vital option of a PFC that is definitely needed for the airport side, that particularly in light of your commitment to try to make those moneys available, that you will very seriously consider the option when such funds are not fully appropriated and obligated, recognizing that without those funds, the airports could not move

forward, that a negative trigger would go into place and that it would provide the PFC the following year.

It is a workable situation. All of the European airports, that are just as sophisticated as the U.S. system, both on the airport and the airline side, they use the system and it can be used in the United States.

Senator KASSEBAUM. You don't see the confusion resulting that Mr. Ignatius pointed to?

Mr. REILLY. We really don't, and we would hope that the European experience that has been in place for over 10 years will solve that.

Senator KASSEBAUM. But they do not have a trigger mechanism as such. I mean there is greater certainty there. And I think you raised a good point, that as a fallback or a trigger mechanism there is some uncertainty because you would not know.

Mr. REILLY. The solution to that, of course, would be to put in place right now.

Senator KASSEBAUM. I knew I was walking right into that. Well, you know that I certainly have some sympathies for that, and I am a strong believer in a voluntary defederalization. And I would hope that in a year's time that we have urged that the DOT present a thoughtful study and analysis of how we can implement that and how we can proceed ahead with a defederalization program, that we can work something out that will be of benefit to both the carriers and the airport operators.

Thank you very much for your testimony this morning.

Mr. REILLY. Thank you, Madam Chairman.

Senator KASSEBAUM. The next panel is the general aviation panel. It is a pleasure to welcome Mr. Graves, who is here representing the Aircraft Operators and Pilots Association; Mr. McIntosh, director of operational services for the National Business Aircraft Association; and Mr. Stimpson, representing the General Aviation Manufacturers Association.

Mr. Graves, would you like to go first?

STATEMENTS OF W. LAWRENCE GRAVES, VICE PRESIDENT, FEDERAL LEGISLATIVE AFFAIRS, AIRCRAFT OWNERS & PILOTS ASSOCIATION; FRED B. McINTOSH, DIRECTOR OF OPERATIONAL SERVICES, NATIONAL BUSINESS AIRCRAFT ASSOCIATION; AND EDWARD W. STIMPSON, PRESIDENT, GENERAL AVIATION MANUFACTURERS ASSOCIATION

Mr. GRAVES. Thank you, Madam Chairman.

I am here to tell you that general aviation opposes the alternative to S. 508, and I mean not the Aircraft Owners & Pilots Association but all of general aviation opposes this proposal.

AOPA is an umbrella organization that is made up of every aspect of the general aviation community. And about the only dissension that we hear from that broad spectrum of members is that the 8.5-cent tax that we propose is too high, given the trust fund surpluses. We receive about a letter a week from somebody suggesting that they are going to resign because we are advocating taxes that are too high.

We think 8.5 cents is fair. The cost of fuel since the ADAP bill was first established in 1970 has gone up 500 percent. My salary has not gone up 500 percent, and most people's have not. That increase has put a burden on our members to the extent that the avgas sales in January this year were, with one exception, at the lowest level in 22 years. We pay the Federal fuel tax. We pay local fuel taxes through a fuel-flowage fee at airports, and we pay State gasoline taxes besides.

We support the 11,000 or 12,000 airports in the country that are not eligible for ADAP assistance. And, in addition, we support the vast majority of those airports that are.

On the O. & M. issue, what you have done here is you have insulated the FAA's administrative costs from the budget process. You have given them a funding mechanism, and in the future years, when the budget crisis is on, the FAA will be able to point to the fact that it has all of its money available to it and will not suffer either the restrictions or the cutbacks that other Federal agencies will have to handle.

We do not think this is an appropriate or good public policy. The statements have been made today that the trust fund money will be spent only as intended. The trouble is we are reversing our intention from the past, which is to establish a program for capital and safety investment, and we have moved to an intention of funding the FAA salaries.

In fact, under the current situation in the airports account, $36 million a year is in salaries alone, not in airport improvements. In research and development, a third of the money goes into salaries alone. By accommodating the operations spending into that system, we are adding on to the salary expense coming out of the trust money.

We have heard about proposed statutory limitations on how the money should be forced to be spent on capital investment. The fact of the matter is the statutory requirement that was in the law for the last 5 years of the ADAP program was completely stringent and severe. There was a ceiling on the amount of money that could be spent for O. & M. and a floor on the amount of money that could be spent for airports. Never was the ceiling underspent, and never was the floor reached.

What could be more strict than a statute of that kind?

Airports are where the problems are. Airports now are going to take last place in the airport and airway trust fund program. The 15-percent increase per year in the future is not going to happen. There is no Federal program that is going to increase 15 percent a year in the next 5 years. It is just a given.

We have had a situation, a fortunate one I would say, in which both the chairmen of the Aviation Subcommittee serve on their respective budget committees in the House and Senate. And that is good for aviation. Last year it got us $450 million for airport improvements that were badly needed. But we had $3 billion in the trust fund last year. We were able to get $450 million just through the efforts of you and Congressman Mineta. That situation may not always be the case. And that is the maximum.

The same thing this year. We have still got $3 billion in the trust fund. Interest is coming in at the rate of $600 million a year. And

we have $450 million we can reasonably expect to get out this year through a reconciliation bill.

We continue to believe that defederalization is a good idea. We support the Helms ATC enhancement program. But we do not want to see it get a blank check and a complete funding commitment at this time. We want you to watch it, monitor it, and we will move ahead with it, just as we have done with the computer and ATC modernization plans in the past.

And finally, in answer to Senator Packwood's question, if the bill is not passed, we have got money in there right now to improve the system and to build the airports that we need. Thank you.

[The statement follows:]

STATEMENT OF JOHN L. BAKER, PRESIDENT, AIRCRAFT OWNERS & PILOTS ASSOCIATION (AOPA)

Madam Chairman, the Aircraft Owners and Pilots Association represents more than 260,000 pilots in the United States whose prime concern today is the high cost of flying. In my frequent travels across the country I hear one message from our members loud and clear and that is: "fight the proposed tax increases."

The Aviation Trust Fund was conceived with the notion that large scale improvements in airport and airway facilities could not be achieved unless some special taxes for that purpose were levied. The goals of the Airport and Airways Act of 1970 have been subverted and twisted for various political reasons until we find ourselves at this committee this morning testifying on the question of whether 75 percent of the FAA's total budget should come from the trust fund and the issue of airport development will be virtually invisible to the naked eye.

Our members strongly oppose the so-called "Kassebaum proposal." We will certainly ask every member of the Senate likewise to oppose this scheme to reorient the trust fund from capital investment to an administrative slush fund for the Federal Aviation Administration.

Let's look at the "Kassebaum proposal" and examine its impacts on a point by point basis. We feel the members of this committee will agree that it is a significant step backwards from S. 508:

1. Taxes. The general aviation taxes set forth in the proposal before us today are entirely unacceptable. Aviation will be paying taxes at rates far above those imposed on other modes of travel. Our taxes would be used to pay for the regulatory agency which guides our flying lives and whose expenditures AOPA is seeking to reduce on virtually a daily basis.

Our objection to the so-called cost allocation studies we have seen from the FAA in the recent past stems from the fundamental premise they adopt that there is no benefit to the general public from aviation. This "Kassebaum proposal" not only embraces the idea of a lack of public benefit, it converts that concept into the law of the land. Such a decision by the Congress would be setting a precedent of the most horrendous kind.

"User charge" financing implies that the program supported is a private or special interest good rather than a public good. This raises questions as to the need or appropriateness of a government program at all, particularly when, as in the present case, the Administration's ultimate objective is to secure full recovery of all costs irrespective of their relation to the program.

2. Operations and Maintenance. If the Congress authorizes 75 percent of the FAA's budget to be funded by the trust fund, it will be funding the constraining factor in aviation—the regulatory morass of the Federal Aviation Administration—and creating the fiscal climate in which the capital needs of aviation can be ignored. Because of O&M abuses at the commencement of the Aviation Trust Fund, Congress deleted the authorization for O&M in 1972 but partially reinstated it with specified amounts in 1976. These specified amounts were to be reduced on a formula basis if airport and airway spending fell below the stipulated levels. Though capital investment reduction did occur, the O&M reductions did not.

The "not to exceed" authorizations for O&M were set at $250, $275, $300 and $325 million for the years 1977, 1978, 1979 and 1980 respectively. It is remarkable, in contrast to the capital investment accounts, that the "not to exceed" authorizations were exceeded in every year but not the last (1980)—and that one was close.

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3. Airports. The capacity of our national airports is the determining factor for future capacity and safety improvements in aviation in the United States. During the first ten years of the Airport and Airways program, the airport segment of the four-category expenditure plan was never less than a third of the total expenditures. This new proposal will create a maximum of about 20 percent of the program for airport development.

During that same period the Congress, recognizing FAA's desire to convert the fund to its own use, specified minimum annual expenditures for airports rather than authorization levels. Even with a statutory floor of minimum expenditures, only 71 percent of the minimum amount was actually spent. If the past is prologue, we can expect appropriations somewhat lower than the authorized levels included in this proposal.

We note also that during the decade the Airport and Airways program was in place only one major airport was developed. New airports are essentially prohibited from receiving ADAP assistance since a new airport cannot meet the utilization criteria required for inclusion in the National Airport System Plan.

4. Defederalization. We think defederalization is a good idea. Defederalization recognizes the twin facts that the large hub airports have the economic wherewithal to fund their needs and that their needs are primarily in the non-aeronautical sphere—or land-side requirements as they are called.

In 1980, for example, Los Angeles International Airport's $6 million ADAP grant converted a $3 million operating profit into a $9 million operating profit. By comparison, that airport is spending nearly $200 million for terminal improvements in preparation for the 1984 Olympic Games. LAX has the fundraising ability to pay these costs and should be permitted to do so.

One of the pressures for getting an "ADAP" bill at any price is the very substantial backlog of airport improvement projects around the nation. With the use of the trust fund for administrative costs and with the enplanement formula automatically sending most of the remaining airport money to the hub airports, those airports seeking the program for their projects will not get it.

On the other hand, even with defederalization and no operational money from the fund, these needs will not be fully met. But, if we continue along the lines of S. 508 and do not switch over to the "Kassebaum proposal" we will meet a greater share of the need and do it more on a priority basis.

5. ATC Enhancement. Improvement of the air traffic control system is an ongoing effort. Our system was the best in the world at its founding and it has never failed to set the standard. Enhancements are made continually for safety and capacity purposes. Modern technological advances are incorporated as they occur. This will continue to occur, but the process needs Congressional oversight.

The FAA formulated its ATC enhancement plan without any outside input and it reflects the FAA's assessment of its own air traffic control needs. It does not necessarily reflect the views of the Department of Defense, the scheduled carriers or general aviation. It does not reflect political realities in such areas as its proposal to close down certain air traffic control centers such as the Kansas City Center.

The "Kassebaum proposal" would give a blank check to the agency by authorizing its entire program and providing the automatic funding source. We think this is a bad idea and recommend that the Commerce Committee take the time to evaluate the program more carefully and endorse only those elements of the program it supports. The FAA should be required to justify its ATC expenditures before it gets Congressional approval rather than after the fact as under the "Kassebaum proposal."

We have long recognized that the present air traffic control system lacks the necessary capacity to take care of future demands and that it is incapable of reasonable expansion. It is labor-intensive and much of its existing equipment eventually must be replaced with newer "state-of-the-art" systems. The FAA Plan addresses these problems.

The FAA Plan actually is a collection of many items, a number of which can be considered in the light that they are capable of "stand alone" treatment and do not necessarily depend on each other for implementation. In no event could all parts of the Plan be implemented at once, even if the Congress were to authorize unlimited funding. The implementation must be a gradual process, with flight operations being conducted over a period of twenty years with a mixture of old and new equipment. In cases such as the MLS, for example, aircraft will have to carry both the ILS and the MLS receivers in order to receive service nationwide. This places an operational as well as an economic burden on the aircraft owners, be they airline or general aviation.

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This also brings in the fact that while some estimates of the cost of the ground system have been made by the FAA, we have not yet been able to determine the cost of equipping the air fleet. However, best estimates available at this time indicate that a single set of the equipment will cost about $10,000 installed.

Most of the avionic equipment that will be necessary to operate within the system outlined in the FAA Plan has not yet been developed to the stage where it can be purchased off the shelf from a manufacturer or dealer. This includes such itesm as: MLS receivers (with Precision DME capability); Mode S (with data link and encoder); TCAS I; TCAS II; and Hard copy printers for Mode S and weather receivers.

While the Plan purports to have only the equipment requirements, which are to be matched later with the operational and regulatory requirements developed in the National Airspace Review, the equipment Plan does contain statements that specific equipment will be required if the aircraft operator wants to receive certain services or fly in some airspace. This then fixes the equipment as the "price of admission" for that airspace or those services. This prejudges what should be determined in the National Airspace Review, which has not yet started and which will take 42 months to complete.

The Plan cites increases in air carrier enplanements in reference to the demands on the system. The use of passenger enplanements is not a valid measure of air activity and aeronautical demand. Enplanements might be a valid measure in speaking of landside requirements such as pay telephones or toilets in the terminal building, but certinly not in terms of landings and takeoffs of aircraft. We recommend that "enplanements" be dropped as a justification for airside improvements and that more meaningful "operations" be used instead.

That share of landings and takeoffs at airports with FAA towers is 15 percent air carrier, 7 percent air taxi, 74 percent general aviation and 4 percent military. However, 71 percent of general aviation operations occur at airports that do not have a tower. Of the 432 airports with an FAA tower, most are justified by the air carrier and air taxi count of operations. Only 54 could justify a tower based on general aviation operations alone according to present criteria.

In looking at how each segment operates, we find that the airlines operate 96 percent of their flights IFR, air taxi operators fly 55 percent of their flights IFR, the military percentage is 18 percent and that under normal conditions, general aviation operates just 5 percent of their flights under the instrument flight rules. This places the demand in true perspective, when coupled with the average flight times. The average time per flight (VFR and IFR) for air carrier is 1:23, air taxi :29, military :32 and general aviation :31. Thus the air carriers are in the system longer, traversing more sectors and facilities. They are up and down a lot—not every flight is transcontinental. This translates into work load on the system.

There is at the present time a temporary condition that will last until the ATC system recovers fully from the strike. General aviation flights are prohibited from filing IFR while in the air. This means that a pilot who could initiate a flight VFR and then file IFR only if questionable weather deteriorated, now has no choice but to file IFR for the whole flight even though it may end up being conducted completely in good weather. This is inflating the IFR work load unnecessarily.

Here we find a number of other items that can be done independently from other parts of the Plan. These include enhancement of ARTS II and ARTS III, replacement of vacuum tube BRITE I and II, and power conditioning systems.

We have made our opposition known before to the Congress and the FAA with regard to their plans for automated airport advisory services. The FAA Plan would require mandatory Mode S transponders in all aircraft at these smaller airports where this system would be installed. This is unreasonable. Further, the need for this system is questionable and the prototype system evaluated by the FAA could create dangerous situations in the opinion of our staff pilots who flew it. We recommend deletion of this item.

The Plan calls for closing of 30 control towers. Both AOPA and the General Accounting Office have called for the closing of some 60 control towers that do not meet the FAA's own criteria for operation. While the FAA temporarily closed many of these towers following the PATCO strike, they have signaled the intention to again open most of them. In fact, some have been reopened. We recommend immediate action to permanently close all that do not clearly meet the FAA criteria. Possible exception would be one or two, such as in Alaska, where the tower is necessary for operational reasons other than air traffic control.

The Plan contains Wake Vortices Detectors. We previously have made recommendations that the best approach to this problem is research by NASA to eliminate the wing tip vortices at the source by aerodynamic modification of aircraft wing tips. The use of detection systems has some impact on the handling of air traffic,

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especially when approaches are being made in close order and the detector suddenly gives a warning. The result is an aborted approach and disruption of the sequence. This problem needs a different approach.

We support enhancement of ARTS II and III, terminal hub consolidation, enhancement of TRACON BRITES, and terminal/center integration.

The Plan states that the users must have Mode S with data link by 1990 to get an ATC clearance for flight above 12,500 feet MSL. By the year 2000, this would be down to 6,000 feet MSL. Currently, a transponder is required for flight above 12,500 feet, but an ATC clearance is not required by VFR flight in this airspace. While we can see the Mode S as an upgrading of the present generation of transponders, the addition of a requirement for an ATC clearance above 12,500 feet for all traffic is not acceptable at this time. Neither is the requirement for a Mode S transponder above 6,000 feet. These are the types of rules that should be considered by the National Airspace Review. Just because the FAA plans to have surveillance coverage in this airspace is not justification for mandatory carriage of the transponder.

It is stated in the Plan that 25 kHz spaced VHF communications channels will be required by 1990 because of the "demand" for more channels. We submit that the demand for channels is going to decrease with the reduction in the number of control towers, the consolidation of facilities and the reduction of the number of sectors. Most new VHF communications equipment is coming out with 25 kHz spacing, but there is no need to force this on older aircraft that will not be involved in the ATC system other than at some tower locations.

The ambitious plans of the FAA for MLS/PDME implementation certainly need review and adjustment. They indicate 1,225 by the year 2000. While the installation would be gradual in the intervening period, it is too much, too soon. ILS must stay in place at 827 locations at least until 1995. This means that both airline and general aviation aircraft must carry ILS and MLS equipment for many years until the system settles down to a single landing aid. For aircraft where the landing system is a go/no-go item, it will mean carrying four sets of gear, two each of ILS and MLS. Not all ILS-equipped aircraft have DME. Obviously, careful planning will be necessary to avoid unduly burdening aircraft owners. We believe that the ICOA protection date for ILS is going to be extended beyond the year 1995 since there are many countries that will have no use for MLS and will continue to fly ILS-equipped airliners into the U.S.

This again is a stand-alone item. It also has the distinction of being one of those where avionics are not commercially available.

We noted with interest the comments regarding the National Emergency Radio Communications System, which is a part of the nation's Defense Readiness Program. This again emphasizes that many of the features of the National Aviation System are not just for the benefit of the users, but have a distinct national interest that transcends that of the aviation users.

Senator KASSEBAUM. Thank you, Mr. Graves.

Mr. McIntosh.

Mr. MCINTOSH. Thank you, Madam Chairman. First, may I refute my colleague's statement about all of general aviation being against all of S. 508. We have some reservations which I will address in my testimony to part of it, but certainly not all of it.

The National Business Aircraft Association represents business aviation in the United States and consists of over 2,600 companies which own and operate, I might add, in excess of 5,400 aircraft from helicopters, light reciprocating engine aircraft, turboprops, and turbojets.

We are very concerned about the proposal to differentiate between classes of business aircraft in the imposition of excise taxes and will address that issue today. The tax proposals have been submitted by the administration and others that would set the excise tax rate on turbine fuel used in noncommercial operations at a higher rate than on aviation gas.

These proposals are based upon a notion that since turbine-powered aircraft owners use the system more than their reciprocating counterparts, they should be taxed at a higher rate. There has

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not been a single cogent, rational argument advanced to support this fancy, which has been characterized as a stroke of genius on the part of whoever first advanced the idea.

I might add that Senator Monroney's able staff in 1970 addressed this and threw it out.

While the observation that turbine-powered airplanes use the system more than reciprocating aircraft is correct, it is also true that the operators of turbine-powered airplanes will pay substantially higher taxes than gasoline users, given a uniform tax rate.

Let me state that again. The owners of turbine-powered airplanes do not need to be taxed at a higher rate for their greater use of the system because they will pay higher amounts of tax, given a uniform rate.

Furthermore, at a uniform tax rate, turbine-powered and reciprocating engine-powered aircraft will pay for their use of the system at approximately the same rate whether you measure that rate by use by the hour or use by the mile.

Turbine-powered aircraft do use the system more than gasoline-powered aircraft, based on FAA statistics, as we reported before, and using the mean number of flying hours for various classes of aircraft, we find—and I will not go through the numbers unless the Chair wishes me to, but they are in our prepared text—the question is will turbine-powered aircraft pay substantially higher amounts of tax if the tax rate is uniform? And the answer is yes.

For any aircraft owner taxpayer, the total amount of Federal excise tax to be paid is the product of the fuel consumption, the tax rate, and the total hours flown.

Assuming a uniform tax of 12 cents per gallon, single-engine aircraft owners pay the least tax for the hours they fly each year, as might be expected. Even owners of the most sophisticated among them, such as the Piper Saratoga, would pay about $300 for average number of hours flown.

Turbojet aircraft owners, on the other hand, pay the highest amounts because they use substantially more fuel per hour and fly more hours per year. A Falcon 20 owner, using the same assumptions and parameters noted above, would pay more than $21,000 tax annually.

But how much then do they pay to use the system? We have chosen to measure the taxes paid, bypassing for the moment consideration of the question of whether or not those taxes constitute direct payment for the use of the system, by: first, hours in the system; second, miles in the system; and finally, for good measure and to attempt some correlation with business travelers in the airline system, seat-miles in that system.

Once again, we consider IFR hours flown to correlate to being in the system. In terms of tax paid per IFR hour, turboprop and reciprocating engine airplanes would pay about the same rate, but turbojet airplanes would pay at a much higher rate.

And with the exception of turbojet airplane owners who would pay a substantially greater amount, all airplane owners would pay approximately the same tax in cents per IFR mile flown.

And last, and in conclusion, the tax to be paid for each seat-mile in the system by noncommercial airplanes at 12 cents per gallon agrees very closely with the tax paid at 5 percent by airline passen-

gers per seat-mile. The amount of taxes to be paid on behalf of a passenger in a business jet equates very well with the tax paid by a first-class passenger.

For example, for the 612 miles from Washington to Chicago, a Falcon 20 with 5 of its 8 passenger seats occupied will yield tax on the fuel used at a rate equal to $13.08 for each passenger. A first-class airline passenger today pays 5 percent of $274, or $13.05, for the same trip.

Interestingly, the owner of a Cessna Golden Eagle—made in Wichita, by the way—with 3 seats occupied will pay $8.27 tax for each passenger, nearly equal to the $8.81 tax paid by a one-way coach passenger on the same trip.

And we have submitted with our testimony a breakdown of those costs to support our position. And we thank you.

[The statement follows:]

STATEMENT OF FRED B. MCINTOSH, DIRECTOR, OPERATIONAL SERVICES, NATIONAL BUSINESS AIRCRAFT ASSOCIATION (NBAA)

The National Business Aircraft Association represents business aviation in the United States and consists of over 2600 companies which own and operate aircraft. NBAA members operate aircraft of every type and category, including helicopters, light reciprocating engined airplanes, turboprops and turbojets. NBAA members use their aircraft to satisfy their business needs for air transportation.

We are very concerned about the proposal to differentiate between classes of business aircraft in the impostion of excise taxes, and will address that issue today. Tax proposals have been submitted by the administration and others that would set the excise tax rate on turbine fuel used in noncommercial operations at a higher rate than on aviation gasoline. These proposals are based upon the notion that since turbine-powered aircraft owners "use the system" more than their reciprocating engined counterparts, they should be taxed at a higher rate. There has not been a single cogent, rational argument advanced to support this fancy, which has been characterized as a "stroke of genius" on the part of whoever first advanced the idea. While the observation that turbine powered airplanes use the "system" more than reciprocating engined airplanes is correct, it is also true that the operators of turbine powered airplanes will pay substantially higher taxes than gasoline users, given a uniform tax rate. Let me state that again, as simply as I can: owners of turbine powered airplanes do not need to be taxed at a higher rate for their greater use of the system because they will pay higher amounts of tax, given a uniform rate. Furthermore, at a uniform tax rate, turbine powered and reciprocating engine powered aircraft will pay for their use of the system at approximately the same rate, whether the rate is measured in use by the hour or use by the mile.

Do not turbine powered aircraft use "the system" more than gasoline powered ones? Yes, based upon FAA statistics, as we reported in our Business Flying analysis of 1979. Using the mean number of flying hours for various classes of aircraft, we find that single engine airplanes fly 180 hours per year of which 52 hours, or 28 percent, are instrument flight rules (IFR) hours. We here make a simplifying assumption that IFR hours are "in the system" and VFR hours are not. Twin reciprocating engined airplanes spend more time in the air and more time "in the system," of an annual 273 hours, 48 percent or 131 hours are IFR. The real workhorses, however, are the turboprop airplanes with annual use of 512 hours, 396 or 77 percent of them IFR. Finally, turbojet airplanes fly the highest percentage of IFR, 93 percent or 440 hours per year out of a mean total of 473.

Will not turbine powered aircraft operators pay substantially higher amounts of tax if the tax rate is uniform? Yes, for any aircraft owner taxpayer, the total amount of federal excise tax to be paid is the product of the fuel consumption, the tax rate and the total hours flown. Assuming a uniform tax of 12 cents per gallon, single engine aircraft owners pay the least tax for the hours they fly in each year. Even owners of the most sophisticated among them, such as the Piper Saratoga, the top of the Piper single engined line in 1980, would pay about $300 for the average number of hours flown by aircraft of that class. Turbojet aircraft owners, on the other hand, pay the highest amounts because they use substantially more fuel per hour and fly more hours per year. A Falcon 20 owner, using the same assumptions and parameters noted above, would pay more than $21,000 tax annually.

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But how much, then do they pay to use the "system"? We have chosen to measure the taxes paid (bypassing for the moment consideration of the question of whether or not those taxes constitute direct payment for the use of the "system") by, first, hours in the system, second, miles in the system, and finally, for good measure and to attempt some correlation with business travellers in the airline system, seat miles in the system. Once again, we consider the IFR hours flown to correlate to "in the system". General conclusions which may be based upon a uniform $0.12 per gallon fuel tax are:

1. In terms of tax paid per IFR hours, turboprop and reciprocating engine airplanes would pay about the same rate, but turbojet airplanes would pay at a much higher rate.

2. With the exception of turbojet airplane owners who would pay a substantially greater amount, all airplane owners would pay approximately the same tax in cents per IFR mile flown.

3. The tax to be paid for each seat mile "in the system" by non-commercial airplanes at 12 cents per gallon agrees very closely with the tax paid at 5 percent by airline passengers per seat mile. The amount of tax to be paid on behalf of a passenger in a business jet equates very well with the tax paid by a first-class passenger. For example, for the 612 miles from Washington to Chicago, a Falcon 20 with five of its eight passenger seats occupied will yield tax on the fuel used at a rate equal to $13.08 for each passenger. A first class passenger today pays 5 percent of a $274 fare, or $13.05 for the same trip. Interestingly, the owner of a Cessna Golden Eagle with 3 seats occupied will pay $9.27 tax for each passenger, nearly equal to the $8.81 tax paid by a one way coach passenger on the same trip.

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FUEL	AIRCRAFT MODEL	SPEED PAX SEATS (1)	FUEL FLOW CRUISE (2)	HOURS FLOWN (3) TOTAL	HOURS FLOWN (3) IFR	TOTAL FUEL USED/YR GALLONS (4)	TOTAL TAX PAID @ 12¢/GAL	TAX PER FLIGHT HOUR	TAX PER "IFR" HOUR (5)	TAX PER "IFR" MILE (6)	TAX PER IFR PAX SEAT MILE (7)
Gasoline	CESSNA CUTLASS RG	129/ 3	53	180	52 (28%)	1,590	$ 109.80	$ 1.06	$ 3.67	$0.028	$0.009
	PIPER TURBO-SARATOGA	150/ 5	84	180	52 (28%)	2,520	$ 302.40	$ 1.68	$ 5.81	$0.039	$0.008
	BEECH BARON	194/ 5	173	273	131 (48%)	7,871	$ 944.57	$ 3.45	$ 7.21	$0.037	$0.007
	PIPER CHIEFTAIN	187/ 7	185	273	131 (48%)	8,417	$ 1,010.09	$ 3.70	$ 7.71	$0.041	$0.006
	CESSNA GOLDEN EAGLE	209/ 6	228	273	131 (48%)	10,373	$ 1,244.88	$ 4.56	$ 9.50	$0.045	$0.008
Turbine	BEECH KING AIR 90	211/ 6	368	512	396 (77%)	28,121	$ 3,374.61	$ 6.59	$ 8.52	$0.040	$0.007
	MITSUBISHI MU-2B	271/ 6	456	512	396 (77%)	34,846	$ 4,181.52	$ 8.16	$10.56	$0.039	$0.006
Turbine	LEAR 25D	443/ 8	1,438	473	440 (93%)	101,518	$12,182.16	$25.76	$27.69	$0.062	$0.008
	FALCON 20	453/ 8	2,515	473	440 (93%)	177,551	$21,306.12	$45.04	$48.42	$0.107	$0.013

(1) Knots B/CA Planning & Purchasing Handbook, April 1980
(2) Pounds/Per HR
(3) Average for Type Aircraft Based Upon FAA Statistics
(4) AVGAS: 6#/GAL, JET A 6.7#/GAL
(5) Total Taxes Paid Divided by IFR HRS
(6) Based Upon A/C Cruise Speed
(7) Based Upon # Seats Shown B/CA 1980 Handbook

AIRLINE TRIP	FARE ONE-WAY	8% TAX	5% TAX	# MILES	TAX PER PAX MILE 8%	TAX PER PAX MILE 5%	LOAD FACTOR	TAX PER IFR PAX SEAT MILE 8%	TAX PER IFR PAX SEAT MILE 5%
First Class ORD - DCA	$274.00	$20.88	$13.05	612	0.034	0.021	50%	0.017	0.011
Excursion Coach Class SFO - DCA	$180.00	$13.71	$ 8.57	2,442	0.006	0.003	50%	0.003	0.002
Shuttle LGA - DCA	$ 60.00	$ 4.58	$ 2.86	214	0.021	0.013	50%	0.011	0.006
Peoples XPRS EWR - BAL	$ 27.00	$ 2.06	$ 1.29	199	0.010	0.006	50%	0.005	0.003
Discounted Economy PHX - DCA	$230.00	$17.52	$10.95	1,979	0.009	0.006	50%	0.004	0.003

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Senator KASSEBAUM. Thank you, Mr. McIntosh.

Mr. Stimpson.

Mr. STIMPSON. Thank you, Senator. I would like to join the chorus of people this morning and organizations that have complimented you and Senator Packwood on your proposal, which we think is a good compromise proposal. And we are pleased to support it.

I think particularly important this morning were the comments that you and Senator Packwood made about user charges being applied for the purposes intended. As you know, this universally has been a concern in the aviation community, in view of our past experiences. And the willingness of you and Senator Packwood to insure, through the language and oversight responsibilities, that the intent of this bill is carried out is highly significant.

Also significant is the increased level of funding for airports in your bill, as well as for the airways system.

Of course, as you know, we have been most interested in the reliever airport program. You have money for reliever airports in your bill. Little has been done since the tragedy at San Diego in 1978 about a major reliever airport program and, hopefully, with increased levels of funding, you would be able to accommodate higher levels for reliever airports.

As far as forecast activity is concerned, of course, we are down as an industry right now. The economy has adversely affected shipments of new airplanes, but we are optimistic about the long-term growth. We are in much the same position we were in in 1970 when Congress passed the first airport/airways bill. The industry was also in a recession at that time, and fortunately, the foresight was there to pass legislation which provided for billions of dollars of development during this last 10 years.

We are in somewhat of a parallel situation today. Recession has hit the aviation business, but all of us are anticipating growth in the future.

Now, as far as user charges are concerned, we have supported a one-tier tax structure on aviation gasoline and jet fuel. Earlier this year we said, we would support a two-tier structure on the basis that turbine-powered airplanes use the system more, and also in the interest of trying to get a compromise proposal that would get the legislation through the Congress and have the support of the administration.

As far as costs are concerned, Mr. Burian this morning presented some costs as to what the impact of the 12- and 14-cent user charge proposal would be. Looking back, 7 cents in 1970 was about 20 percent of the cost of fuel when fuel was running about 35 cents a gallon. Today, the 12- and 14-cent proposal is about 8 percent of the cost of fuel, in a comparative sense.

We are also looking at the impact on the users of system. For a small, single-engine airplane, this would mean about 21 cents per hour at the 12 cents a gallon rate over the 8 cents. Or, on an average, it would be about a 30 cents an hour charge.

We think for the benefits to be achieved from airport development for use of the system in the future, the air traffic control strike certainly pointed out the fragility of the system we have today. We have users unable to use the system. When they want to

use the system, they are restricted because of the reservation program.

This should be ample warning that we must move ahead and modernize the system. And the GAR system is impacting not only current users but also future aircraft sales. We have to improve and update our airport/airway system.

We think the plan that has been put forward by the FAA and your legislative framework for incorporating this plan is a good one. And we hope that Congress will move forward for its speedy enactment. Thank you very much.

[The statement follows:]

STATEMENT OF EDWARD W. STIMPSON, PRESIDENT, GENERAL AVIATION MANUFACTURERS ASSOCIATION

I am Edward W. Stimpson, President of the General Manufacturers Association. Our companies manufacture the vast majority of general aviation aircraft, engines, avionics and component parts produced in the United States.

We would like to take this opportunity to compliment the chair for recently suggesting her ADAP proposal. We believe this is constructive and serves as a sound basis for moving forward in this session of Congress.

NEED FOR 5-YEAR AIRPORT/AIRWAY LEGISLATION

There has been no airport/airway legislation for over a year and a half. During this time, the over 3 billion dollar surplus in the aviation trust funds has shrunk by nearly half as expenditures of the FAA have continued to be funded from the trust, and tax revenues have gone into either the general fund or the highway trust fund.

Since this Committee reported S-508, the major new development has been the publication of the FAA plan for expanding and modernizing the air traffic control system. This plan is an excellent blueprint for increasing the capacity and safety of the nation's airport/airway system.

To accomplish this task, it is important that authorizations be given for more than one or two years. Consequently, the five year authorizations contained in S-508 and the Kassebaum proposal would provide a commitment and a degree of certainty that the program would be pursued and not left for future funding arguments.

FORECASTS OF AVIATION GROWTH

When Congress enacted the Airport/Airway Development and Revenue Acts of 1970, the general aviation industry was being severely impacted by the economic recession. Unfortunately, the same situation exists today. In 1979, the industry delivered over 17,000 aircraft and in 1981, only 9,457 new aircraft. This year production is down 46 percent from last year.

In the long term, we expect general aviation to grow as the nation's economy improves and interest rates decline. General aviation will play an increasingly important role in the nation's transporation system, particularly to communities without airline service. Today, over 110 million people are carried intercity by general aviation.

Currently, the general aviation fleet is approximately 215,000 aircraft. Within the next ten years, we expect the fleet to grow to over 300,000 aircraft. We are also witnessing a change in the nature of the fleet, with more high-performance sophisticated aircraft, which will utilize the air traffic control system to a greater degree.

FAA estimates that hours flown in general aviation will increase by 60 percent. Instrument operation by general aviation will more than double.

AIRPORTS

The airport program suggested in the Kassebaum proposal starting at $690 million in fiscal year 1983 and rising by 15 percent a year to $1.206 billion by 1987 is a meaningful program and will allow for significant airport development.

The Kassebaum proposal also takes a realistic approach to the defederalization and head tax issues. The arguments for and against head taxes are well known. Unfortunately, they have been in part responsible for delaying enactment of legislation

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and, hopefully, the Kassebaum suggestion will help break the logjam that has occurred.

The biggest need in general aviation is for more airports to serve large population centers. S-508 contains a special set-aside for reliever airports. We would urge that the amount of $45 million be proportionally increased with the increase in the overall funding levels of the airport program. In addition, the Secretary of Transportation should be directed to expand the definition of reliever airports so as to develop a truly integrated airport system in metropolitan areas. Unfortunately, major funding for reliever airport development has not occurred since the 1978 mid-air collision in San Diego.

In recent testimony, the FAA Administrator has stressed the need for a "stub"—or 3,500 foot runway—program which would provide additional, shorter runways for general aviation at major airports. This program has great merit and should be supported.

Major capacity increases for civil users can be found in the joint use of non-strategic military airports. While S-508 addresses this issue, we would hope that clear Congressional direction would obviate the need for future studies.

AIRWAYS

The illegal action by the air traffic controllers demonstrated the frailty of the nation's air traffic control system and the need to modernize that system. Potential buyers of new general aviation aircraft have been concerned about investing substantial sums in aircraft without any assurance that they will be able to utilize their investment. Without question, the reduced system capacity in the wake of the PATCO strike has seriously impacted aircraft sales.

The FAA airway plan is an imaginative and comprehensive effort to modernize the air navigation and air traffic control system. It outlines the funding requirements for both facilities and equipment and research and development. We endorse its objectives to reduce congestion, to increase productivity and efficiency in the system, and to improve safety.

The details of the plan will require lengthy and continuous scrutiny as the broad outlines are fashioned into special budget items. While we are in general agreement with the scope of the plan, further technical dialogue and understanding are necessary.

OPERATION AND MAINTENANCE

The Airport/Airway Trust Fund supported by user charges has been regarded as the means for improving and expanding the national aviation system. To insure necessary capital expenditures, we would prefer a level of funding for operations and maintenance closer to the levels currently included in S-508 (approximately 40 percent) or in the House Bill HR-2643 (50 percent).

The administration request that the users pay for 85 percent of system costs is unreasonable, since no public benefit considerations are included.

The users of the system are willing to pay for 100 percent of airport development, facilities and equipment, and research and development costs provided that the government pays its fair share for military use and public benefit through the operations appropriations. This acknowledges the fact that some portion of operations and maintenance is a legitimate Trust Fund expense, but it should be secondary to the capital improvements of the system.

USER CHARGES

The general aviation user charge proposals of 12 cents per gallon for aviation gasoline and 14 cents for jet fuel represent a substantial increase for the users of the system. For the operation of turbine equipment, it is a 100 percent increase over the 7 cent per gallon level in existence prior to October, 1980. For aviation gasoline, it is a 71 percent increase over the 7 cent level also in existence prior to October, 1980. Since these levels represent significant increases for general aviation operators, there should be no escalation clauses, and these taxes should remain at these levels for five years. We support the provisions of the Kassebaum proposal, provided the money is spent for the intended purposes.

MANDATORY SPENDING LANGUAGE

Past history of the Airport/Airway Trust Fund has demonstrated a dismal record of broken commitments which resulted in accumulating billions in a trust surplus and under-funded capital improvement programs.

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Mandatory spending language should be included in the legislation that would require the money to be spent for the intended purposes. Language to reduce operations and maintenance expenses proportionally if airport funding is not met would be a step in the right direction. Another alternative would be an automatic tax reduction, if spending levels fell below the authorizations.

SUMMARY

The modernization of the nation's airport/airway system is of the highest priority. We have now been without an Airport/Airway Bill for 20 months. This legislation would make a significant contribution to increasing the capacity and safety of the system. We urge the Committees and Congress to act promptly.

Senator KASSEBAUM. Thank you.

Mr. Graves, you mentioned this was a shift away from the concept as it was originally devised. And that is true. It is certainly something that Senator Cannon has been concerned about because he has been a long pioneer in this endeavor. But this particular proposal is a compromise because the administration would have liked to have taken it much further as far as the shift from airport development.

You mentioned ATC enhancement, and I have been one who has argued that the general public benefits from that system and, therefore, it could be certainly funded from the general fund to a large percentage because of the importance to the public as a whole and seeing a sound and safe airways system.

But that is not to be, because the administration feels very strongly about the need to have the user fees supporting a larger part of the system. And I guess I would ask you if you believed that it should still be in the general fund to a larger percentage than it is, if we then should reduce the size of the program to fit the funding that we could fund from the general fund. You would not choose that option, I assume?

Mr. GRAVES. Well, you are saying that the 5 percent O. & M. is a buy-off of OMB And you are not saying that that is the correct way to go, you are saying that we have to buy them off.

Senator KASSEBAUM. Well, no, I did not say to buy them off, but to find an acceptable compromise.

Mr. GRAVES. Excuse me. That was a poor choice of language. But you are dealing with the Office of Management and Budget in this circumstance, not with aviation policy. And we just feel if you are going to have a trust fund, you set it up for capital expenditures. The social security trust fund does not pay for the Baltimore headquarters staff; it goes out in benefits to the social security beneficiaries.

Senator KASSEBAUM. But look what trouble social security is in. I do not know that we want to use that as an illustration.

Mr. GRAVES. Well, the same with the highway trust fund. It does not pay the salaries of the highway department. It goes out in allocation to the States for highway construction. The land and water conservation fund is the same way; it does not go to pay the Interior Department salaries, it is used to buy parkland around the country and preserve it for posterity.

Only the aviation trust fund is used for this means. If you go for 75 percent funding, all you do is you insulate the FAA's budget, you do not make that money available for capital expenses. And we know institutionally, just from having watched it, that is the tend-

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ency. It is not a bad thing, it is just the way it is. If they can get the money for their administrative costs that they are going to have to lay out anyway, they are going to take that money. And it is very hard to get the airport money.

We have just seen it. It is against the law, you might say, to do what they have done for the last 5 years in the program, but they did it anyway. And the Congress was a semi-willing partner because the Congress has spending problems, too.

Senator KASSEBAUM. Mr. Stimpson, you testified, of course, in support of this program, and yet the ATC enhancement has been viewed as being a program that will benefit the large commercial airlines more than general aviation. Do you feel that indeed that is the case?

Mr. STIMPSON. I think that both commercial aviation and general aviation will benefit from it. We are bound to. We are increasingly a larger user of the air traffic control system. Though they use the system 100 percent of the time, many segments of general aviation use it very little or not at all.

I think that is where the basic argument comes because you have many people out here who want the freedom of flight who do not need to use the system and they should not be paying or affected by its implications. That is true.

But there are other segments of general aviation. Business aviation is a heavy user of the system and will benefit accordingly.

Senator KASSEBAUM. Do you see the increased aviation tax as having any impact on the sale of small aircraft?

Mr. STIMPSON. A tax never helps. It is hard to measure the impact of the tax. It could have, particularly in this marketplace, a negative influence. That is why we were so strong about no escalation. We think if we get the 12/14 and leave it set for 5 years, we are not constantly raising the tax.

It is hard to measure, but if we do not have a system in the years ahead, where are we going to be? We would rather pay the taxes and build a system than pay no taxes and have no system.

Senator KASSEBAUM. Mr. McIntosh, you talked about the belief that the business jet should be the same tax, you should be uniformly taxed. But is it not reasonable to believe that the business jet is a cost usually of doing business and ultimately that tax is going to be passed on to the consumer?

Mr. MCINTOSH. I would have to agree that your statement is correct, Madam Chairman. After all, that is true of any business, particularly in the United States, whether it be airline or air carrier. However, I think we are approaching the point here that I have heard in past years, and other administrations, by the way, of, let us tax them that can afford it.

All I would have the record show is that since 1970 we have parted company with our friends on the right here, inasmuch as we have always supported an equitable user charge. We have never fought that proposition, and we supported the original figures.

The only thing we are asking for is that there be no discrimination in it. You will note, please, that I did not argue for 12 or for 14 cents. I merely argued for uniformity.

And I am impressed with one other thing, and that is the representative from OSAPA and ourselves are the only two representa-

tives of people who actually pay these taxes that have appeared before this learned committee this morning. The rest collect the tax or are speaking for other people, like airline passengers, charters, and so forth. And even the heavy landing fees, our friends in the air carriers pay go to the individual airports and not to the trust fund. The same thing is true of our friends on the left. Thank you.

Senator KASSEBAUM. Thank you very much.

Mr. STIMPSON. We do pay a few taxes, though, Fred. We use a lot of airplanes.

Senator KASSEBAUM. Thank you very much. I appreciate all of you testifying this morning.

The next panel are the ATC operators. And it is a pleasure to welcome Mr. Cushing, president of the National Association of Air Traffic Specialists, and Mr. Johannssen, president of the Professional Airways Systems Specialists.

Mr. Cushing.

STATEMENT OF LAWRENCE CUSHING, PRESIDENT, NATIONAL ASSOCIATION OF AIR TRAFFIC SPECIALISTS, ACCOMPANIED BY EDWARD L. HUIE, DIRECTOR, LEGISLATIVE AFFAIRS

Mr. CUSHING. Madam Chairman, members of this committee, I do appreciate the opportunity to appear before you and to testify on this most important proposed legislation. I am accompanied today by Edward Huie, our director of legislative affairs.

Our association is an independent union representing air traffic control specialists who are Federal employees or who work at flight service stations. Flight service stations are facilities of the FAA located throughout the United States, approximately 300 in number. Air traffic control flight service stations have been called the lifeline of the 225,000 aircraft in general aviation. The controller in the station handles flight plans, provides weather reports, provides emergency assistance, and an array of preflight and inflight services to general aviation pilots, air carrier pilots, and military aircraft.

Very germane to this hearing is the statement of the Chairman, National Transportation Safety Board before the Investigations and Oversight Subcommittee, House Committee on Public Works and Transportation in March of 1981 relative to the impact of weather on aviation safety. His views on the role of flight service stations and their importance to aviation are far more authoritative than mine, and I take the liberty of quoting excerpts from that statement:

> From the beginning of aviation history, weather has been a primary ingredient in aircraft accidents. In that history, from the early days when weather information was scarce, to the present with sophisticated equipment on the ground as well as in the air, the frequency with which weather is quoted as a cause or factor in accidents remains essentially constant.
>
> The Safety Board has conducted several studies addressing the problem; the last in 1974 which examined weather-involved general aviation accidents. That study showed that during the 9-year period 1964 to 1972 approximately 40 percent of all fatal general aviation accidents involved weather.
>
> Moreover, we see that the accidents occur during all phases of flight, takeoff, en route, and terminal approach, and that the accidents include all types of weather phenomena. While many of the general aviation accidents involve pilots with relatively low experience who proceed into adverse weather and get in over their head,

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they are by no means the only category involved. A significant number of general aviation accidents involve highly experienced pilots flying aircraft capable of flight through most adverse weather conditions. However, highly trained aircraft pilots have become statistics when confronted with severe thunderstorms or severe windshear during the takeoff or approach and landing phases of flight.

So what is the answer?

Before a pilot begins a flight that extends beyond the vicinity of an airport, among other things he must familiarize himself with all available information as to pertinent weather reports and forecasts. Such familiarization is normally accomplished through transcribed weather broadcasts and contacts with flight service specialists at Federal Aviation Administration flight service stations.

The flight service specialists have available to them most aviation weather products issued by the National Weather Service. It goes without saying that information on adverse weather conditions has to be made available to the flight service station briefers as soon as possible. Many flight service stations now have the leased service A weather system. This is a high speed weather data system capable of receiving large amounts of weather data in short time. However, despite this capability, important weather messages are often not received by the flight service station briefer in a timely manner.

Not mentioned in the Chairman's statement is the fact that flight service controllers make the vast majority of all the official weather observations submitted to the National Weather Service, and further, they must be intimately familiar with all local terrain and all cultural objects which can be easily identified by a pilot in flight. This is most helpful when pilots are lost or disoriented and need help in determining their position and a course to their own or an alternate landing area.

The FAA gives credit to flight service for about 35 percent of all flight assists made by the air traffic control system. This is disproportionately high considering the number of flight service station controllers and the obsolete equipment in use.

We are concerned with the FAA's proposal to alter the consolidation plan for flight service stations. They did have a plan, listed numbers one through five, limited automation, establish automated facility, et cetera. That plan has now apparently been cast aside.

The purpose of this sequence was to insure that the quality of service to the user was as good or better than previously provided. We are concerned with their proposal to close the part-time stations, the part-time operation of flight service stations, and we request that section 26, "Part-Time Operation of Flight Service Stations," previously appearing in the ADAP language, be put back in that language to insure that the automation program proceeds in an orderly manner.

Thank you, Madam Chairman.

[The statement follows:]

STATEMENT OF LAWRENCE C. CUSHING, PRESIDENT, NATIONAL ASSOCIATION OF AIR TRAFFIC SPECIALISTS

Madam Chair and Members of this Committee, I deeply appreciate this opportunity to appear before you and to testify on this most important proposed legislation. I am accompanied by Edward L. Huie, our Director of Legislative Affairs.

This Association is an independent union representing air traffic control specialists who are federal employees and who work at flight service stations. Flight service stations are facilities of the Federal Aviation Administration and are located throughout the United States—about 300 in number.

Air Traffic Control Flight Service Stations have been called the lifeline of the 225,000 aircraft in general aviation. The controller at a station handles flight plans, provides weather reports, provides emergency assistance and an array of preflight

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and inflight services to general aviation pilots, air carrier pilots and military aircraft.

Very germane to this hearing is the statement of the Chairman, National Transportation Safety Board before the Investigations and Oversight Subcommittee, House Committee on Public Works and Transportation on March 24, 1981 relative to the "Impact of Weather on Aviation Safety". His views on the role of flight service stations and their importance to aviation are far more authoritative than mine and I take the liberty of quoting excerpts from that statement:

"From the beginning of aviation history, weather has been a prime ingredient in aircraft accidents. In that history, from the early days when weather information was scarce, to the present with sophisticated equipment on the ground as well as in the air, the frequency with which weather is quoted as a cause or factor in accidents remains essentially constant. The Safety Board has conducted several special studies addressing the problem; the last in 1974 which examined weather-involved general aviation accidents. That study showed that during the nine-year period 1964 to 1972, approximately 40 percent of all fatal general aviation accidents involved weather. We have continued to readdress the subject on an almost annual basis during the investigations of specific accidents. Much to our dismay, the frequency with which weather is quoted as a cause or factor remains essentially constant. Since 1975, our data show that weather was still involved in approximately 40 percent of the fatal general aviation accidents, which, incidentally, included the commuter fleet; perhaps more alarming, weather was involved in 52 percent of the fatal air carrier accidents. About 4000 persons have lost their lives in weather-involved aviation accidents during this five year period.

Moreover, we see that the accidents occur during all phases of flights, takeoff, enroute, and terminal approach, and that the accidents include all types of weather phenomena. While many of the general aviation accidents involve pilots with relatively low experience who proceed into adverse weather and gets in "over their head," they are by no means the only category involved. A significant number of general aviation accidents involve highly experienced pilots flying aircraft capable of flight through most adverse weather conditions. However, highly trained air carrier pilots also have become statistics when confronted with severe thunderstorms, or severe windshear during the takeoff or approach and landing phases of flight. Low ceilings and low visibility in the approach and landing phase also contribute significantly to our accident data.

So what is the answer? The Safety Board believes it obvious that the answer must be to keep the aircraft out of hazardous weather conditions. To do this, the pilot must be informed before the flight of the type of weather that will be encountered during the entire flight from takeoff to landing. This not only requires accurate forecasting, but assurance that the most recent forecast is given to the pilot before he departs.

Before a pilot begins a flight that extends beyond the vicinity of an airport, among other things he must familiarize himself with all available information as to pertinent weather reports and forecasts. Such familiarization is normally accomplished through Transcribed Weather Broadcasts and contacts with Flight Service Specialists at Federal Aviation Administration (FAA) Flight Service Stations (FSS). The Flight Service Specialists have available to them most aviation weather products issued by the National Weather Service. Some of the products issued by the National Weather Service involve observations and forecasts of adverse weather conditions. It goes without saying that information on adverse weather conditions has to be made available to the Flight Service Station briefer as soon as possible. Many Flight Service Stations now have the leased "Service A" weather system. This is a high speed weather data system capable of receiving large amounts of weather data in a short time. However, despite this capability, important weather messages are often not received by the Flight Service Station briefer in a timely manner. This was emphasized during the investigation of a crash involving a Beech Super King Air near Denver, Colorado last year. The crash killed ten persons. This deficiency prompted the Safety Board to issue another recommendation to the FAA regarding the transmission of urgent weather messages."

Not everything in the Chairman's statement was complimentary about flight service and the air traffic control system and it should not be, considering the Federal Aviation Administration's neglect of the flight service system over the last two or three decades.

Not mentioned in the Chairman's statement is the fact that flight service controllers make the vast majority of all the official weather observations submitted to the National Weather Service and further, they must be intimately familiar with all local terrain and all cultural objects which can be easily identified by a pilot in

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flight. This is most helpful when pilots are "lost" or disoriented and need help in determining their position and a course to their own or to an alternate landing area.

The Federal Aviation Administration gives credit to flight service for 35 percent of all flight assists made by the air traffic control system. This is disproportionately high considering the number of flight service station controllers and the obsolete equipment in use.

In the past the Congress has demonstrated grave concern relative to the Federal Aviation Administration's actions to reduce hours of service and to close flight service stations. As a matter of fact, both the Appropriations Bills and the ADAP Bill have contained rstrictive language relative to such actions, but these restrictions are no longer in effect.

The Flight Service Station Modernization program calls for consolidation of some stations in 1983. We have supported this plan, as requested by the Federal Aviation Administration, since its beginning even though continuation of the present system would create an additional 6,000 positions by 1990 (as estimated by the FAA).

Now for 1983 the Federal Aviation Administration (FAA) proposes to permanently close or part-time 99 flight service stations. FAA's rationale for this action: "The accelerated program is necessitated by the staffing and budget reductions which were made in the Air Traffic Activity, Operations appropriation in Fiscal Year 1982." This seems to imply that the Congress made the cuts, whereas the fact of the matter is that the reductions were self-imposed.

Moreover, the consolidation sequence of the Master Plan, i.e. (1) limited automation at existing FSS; (2) establish automated facility; (3) demonstrate quality of service; (4) develop local consolidation plan; (5) consolidate; has apparently been cast aside. The purpose of this sequence was to insure that the quality of service to the user was as good or better than that previously provided. To proceed in any other direction causes future safety of general aviation users to fall in the area of conjecture rather than in the area of assurance.

Accordingly, we strongly recommend that the Committee amend S. 508 to include the identical language now contained in Section 26 of H.R. 2643, and is herewith quoted for convenience:

"SEC. 26. PART-TIME OPERATION OF FLIGHT SERVICE STATIONS.

(a) Beginning on the date of enactment of this Act, the Secretary shall not close or operate on a part-time basis any flight service station except in accordance with this section.

(b) During the period beginning on the date of enactment of this Act and ending on September 30, 1983, the Secretary may provide for the part-time operation of not more than sixty existing flight service stations operated by the Federal Aviation Administration. The operation of a flight service station on a part-time basis shall be subject to the condition that during any period when a flight service station is part-timed, the service provided to airmen with respect to information relating to temperature, dewpoint, barometric pressure, ceiling, visibility, and wind direction and velocity for the area served by such station shall be as good as or better than the service provided when the station is open, and all such service shall be provided either by mechanical device or by contract with another party.

(c) The Secretary may close not more than five existing flight service stations before October 1, 1983. After October 1, 1983, the Secretary may close additional flight service stations, but only if the service provided to airmen after the closure of such station with respect to information relating to temperature, dewpoint, barometric pressure, ceiling visibility, and wind direction and velocity for the area served by such station is as good as or better than the service provided when the station was open and such service is provided either by mechanical device or by contract with another party."

We believe that this modest amendment will provide the Federal Aviation Administration with all the flexibility required for a reasonable and logical transition to the Modernized Flight Service System and at the same time maintain aviation safety at current levels.

Thank you, Madam Chair.

Senator KASSEBAUM. Thank you, Mr. Cushing.

Mr. Johannssen.

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STATEMENT OF HOWARD JOHANNSSEN, PRESIDENT, PROFESSIONAL AIRWAYS SYSTEMS SPECIALISTS

Mr. JOHANNSSEN. Madam Chairman, PASS would like to thank you for extending to us the courtesy of sharing our views concerning the Airport and Airway System Development Act, as well as allowing us to provide input on the proposed national airspace system.

Our full testimony has been prepared and has been entered into the record, hopefully.

There is a definite relationship between the passage of S. 508 and the forward movement of the national airspace system plan. Much of the funding for new systems required by the NASP will be provided by ADAP. I cannot stress strongly enough that an increase is necessary in the operations and maintenance funding from ADAP for the Administrator Helms plan to be feasible.

As our testimony highlights, we are in a very critical period for the technical profession of the FAA. Morale is at the lowest point we have ever seen. The NASP had a direct bearing upon this low morale level. Other major causes of low morale at this time are the pending furloughs.

The systems specialists will face an extremely high attrition rate in the next 3 to 4 years, of approximately 30 percent. This attrition will be predominantly due to two factors: Normal civil service retirement will account for the highest percentage of the loss of highly skilled personnel, as losses to private industry and employees being just plain fed up will account for the remainder.

The ability to train replacements for these individuals is of paramount importance. The introduction of the systems outlined in the national air space system plan will further tax our profession to the breaking out. These new systems will require extensive additional training by systems specialists. When a systems specialist is in training, his or her workload still continues and other systems specialists must pick up the slack.

The changeover to the national air space system plan equipment will not happen overnight. The existing systems must still be maintained and certified if they are to be used by the flying public.

We will not be able to afford the luxury of mistakes that we have made in the past concerning these new systems. In the past these mistakes were compensated for by a profession that was highly motivated and had adequate numbers. This is no longer the case.

In order to adequately prevent the reoccurrence of past failures, we must have an increase in the ADAP in the operating and maintenance funding. We do not believe that an increase in this area is contrary to the intent of ADAP. This money must be contributed by the users to improve the systems and make it safer.

If we do not have a sufficient number of specialists to maintain the current system and bring about changes proposed in NASP, we will degrade the safety of the system and it could possibly face catastrophe. The results of this pennywise and pound-foolish attitude will be with us for a very long time, we fear.

It currently takes from 3 to 4 years to train a new systems specialist from entry level to fully qualified journeyman level. This training must start now, regardless of the administrator's plans for

the future, for failure to do so will leave our ability to keep the status quo of the current system in doubt.

Adding to that the transition to the new system of air traffic controllers is ludicrous. PASS has stated in many testimonies before the Congress that we must replace the computers and modernize equipment. We all realize the ultimate responsibility for this process must lie with Congress.

Your investigative branch, the GAO, has raised enough questions concerning the Administrator's plans already, they have gone in enough detail to raise doubts in our minds and hopefully in yours. An area that was probably overlooked in the GAO report was the increased workload upon our profession. This oversight must be corrected.

We feel that the national airspace system plan could have been better had the working systems specialists been involved in the formulating stages. To ignore the employees' viewpoint and feelings through the isolation of their elected representatives can only spell disaster for the whole aviation system.

Thank you for allowing us to present our views on ADAP and NASP, and I would be happy to answer any questions you might have.

[The statement follows:]

STATEMENT OF HOWARD E. JOHANNSSEN, PRESIDENT, PROFESSIONAL AIRWAYS SYSTEMS SPECIALISTS

Madame Chairwoman and Members of the Committee, PASS would like to thank you for extending us the courtesy of sharing our views concerning the Airport and Airway System Development Act (ADAP), as well as allowing us to provide input on the proposed National Airspace System Plan (NASP).

ADAP must be an important consideration in maintaining and continually rebuilding the National Airspace System. We, as systems specialists, whole heartedly support increased funding levels as those proposed in S. 508. PASS can well appreciate and understand the necessity for cautious funding at this present time. But, we, as the professionals within the system, also understand the necessity for continued funding so as to continue to maintain and certify the safety within the National Airspace System.

At present the FAA is projecting an 11.6 percent raise in air traffic by the year 2000. The costs required to develop the new National Airspace System Plan are projected are projected to be from $9-15 billion in today's dollars and, hopefully, be completed by the year 2000. At present we understand the system is responding to the needs of some 225,000 aircraft. Eighteen years from now, projections indicate some 470,000 planes will be utilizing the National Airspace System.

Our testimonies before various committees of this Congress have been very specific. For the past several years, we have warned of computer equipment becoming old and failing more often. We have alerted the Congress, as well as the FAA, that worn-out parts for these equipments are often difficult, if not impossible, to replace.

The Plan also recognizes the need for fuel savings that could be realized by the new improved methods utilizing the new system. We must caution, however, that past experience must serve as a guide as we forge ahead into revitalize our National Airspace System. We feel that we must view today's system and related problems to appropriately approach the future system in an attempt to understand today's problems and eliminate those serious areas in the future systems.

To our knowledge, during the Administrator's testimony and appraisal of 1981 systems performance and 1982 budget to the Appropriations Subcommittee, he did not even raise the fact that tens of thousands of FAA employees are still faced with active proposals to furlough them before the year's end. As we testify before you today, there has still been no final action or decision by the Agency on the furloughs. Administrator Helms has not even extended the courtesy to employees of notifying them in writing that their original proposed notice to furlough for a period of 12 days is inaccurate. The last official information we received from the FAA was that the furloughs were reduced to a maximum of eight days and, hopeful-

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ly, less. This callous disregard by the head of the Agency for FAA employees is truly representative of the FAA hierarchy's feelings, much more so than the words that were spoken before this distinguished subcommittee.

Possibly the most damaging misinformation to the employees was accomplished at the expense of this Congress. It was perceived in the field by the documentation supplied by the FAA that the furloughs were necessitated by the actions of this Congress and not mismanagement by FAA. While the FAA did not directly state Congress was to blame, the implication was clear and the perception in the field undeniable. This perception could well have carried into November had not Congressman Ford set the record straight for our membership.

The first area we would like to call to this subcommittee's attention is the proposed reduction in staffing in the Airways Facilities Division. The FAA has requested funding for 137 less personnel in the field maintenance area of the aviation system. While this number seems small, the harmful impact this reduction will have on aviation is very large.

There are not 10,052 personnel involved in the day-to-day maintenance of the Air Traffic Control system, as the FAA indicated to the Appropriations Subcommittee. The actual number of systems specialists is a great deal smaller. The 10,000 plus number either exists only on paper, or is also comprised of all the managerial and supportive staff-type positions needed in the field. Managerial and supportive staff-type positions do not spend a preponderance of their time in insuring that the aviation system works safely. In reality, the number is probably less than 8,000. It is rediculous to expect the existing workforce to absorb an additional workload of 397 new facilities and the systems proposed in the NASP over and above the current 20,000 plus facilities that the FAA stipulates are in existence. This is especially true in view of the FAA's overtime record for Airways Facilities.

For a period of the first quarter of fiscal year 1981, inclusive through the first quarter of fiscal year 1982, the Airways Facilities Division used a total of 194,665 hours of overtime. The figures do not indicate how much overtime was precipitated by the strike, for during the fourth quarter of fiscal year 1981 the overtime used (44,529 hours) was a mere 138 hours more than the first quarter of fiscal year 1981. This is the second lowest quarter in the 15 month period. These overtime figures by themselves should more than amply justify that staffing levels remain status quo, if not increase.

We feel it is our professional responsibility to the flying public to request that this subcommittee join in our request to the Appropriations Subcommittee for a minimum increase of 500 new positions for Airways Facilities field maintenance personnel. This would bring the total number of permanent positions for field maintenance to 10,522. We do not make this justification strictly upon the overtime utilized in our division of the FAA. This recommendation is being made predominantly for future planning, as in the NASP, and increased training requirements.

Thirty percent of the systems specialists within the FAA will be eligible for a normal Civil Service retirement in the next three to four years. This Congress and the FAA must adequately plan for that attrition. A failure to do so could easily be catastrophic. This minimal influx of positions that we are requesting is in an effort to remain within the President's economic goals. We are dramatically opposed to the FAA's request for fewer positions, as we feel they are placing economics and politics first and safety second.

Systems specialists are not found in outside industry, nor is there a magical system that can create them overnight. It takes three to four years of intensive classroom education and On-The-Job training for an individual to become a systems specialist once hired by the FAA.

I would also like to point out that in view of this upcoming attrition, the FAA has imposed a hiring freeze on systems specialists that has been in existence long before fiscal year 1982 even began. To not adequately plan for a fully qualified complement of systems specialists in the future must be constituted by this organization and the flying public as a breach of the charter of the FAA under the Federal Aviation Act.

An overlooked fact of failure to adequately plan for the future is its impact on the national defense. Many facilities that are maintained by systems specialists throughout this country are an integral part of the national defense system. These facilities, or joint use sites, are used by the military and the FAA and are strategically located throughout this country. There is no guarantee on which facilities will be hardest hit by the normal attrition factor. Our membership records indicate that joint use facilities will be affected. Even if the safety of the flying public is not paramount in the plans of the FAA, preservation of this country's defense should be.

The FAA may plan on a reduction of systems specialists through the utilization of more solid state equipment. This subcommittee, and many others in the Congress,

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should realize that PASS heartily endorses modernization of the equipment of the FAA. We feel that it is an outrage for the FAA to continue to utilize equipment dating back to the 1940 era of the CAA. We question the premise that a simple modernization utilizing solid state equipment will create a more reliable system utilizing fewer personnel. There is no hard fact to substantiate this conception.

In testimony submitted to the House Subcommittee on Transportation, Aviation and Materials on April 28, 1982, by the National Association of Flight Standards Employees, their review on page 4 of three different flight inspection records indicated 30 possible hazardous conditions. Those 30 possible hazards existed in Instrument Landing Systems that were flight checked. Fifty-seven percent of these discrepancies were found on solid state equipment. In their words, "This comparability study clearly indicates the solid state system[s], while more compact and better engineered, are no more reliable than the vacuum tube systems. Therefore, Mr. Helms' projected flight hour reduction is not only FALLACIOUS, but DANGEROUS."

The installation of solid state equipment by itself does not necessarily negate the need for trained specialists. New systems require new training. Training requires time on at least one individual's part and, in some instances, many more. During this training period, the existing workload must still be met. In Mr. Helms' prepared statement addressing landing systems, he has failed to indicate that the Microwave Landing Systems will have to be run concurrently with the existing Instrument Landing Systems until the year 2000. This duplicity will increase workload rather than decrease the number of specialists required.

The FAA could be planning to widen the gap between the number of facilities to be maintained and the number of bodies to do the maintenance through the use of contract maintenance. We must strongly caution against this idea. The job of the systems specialist is much more than restoring failed equipment. The systems specialist, is, in essence, an equipment manager. Our job is to effectively manage the system comprising the National Airspace System for the highest availability and reliability for use by pilots and controllers. When a system fails, it is the systems specialist who must immediately repair the failure or determine which back-up or alternate system should be utilized for minimal loss of services to the users.

More importantly, it is the systems specialist who must ultimately determine the useability of a restored system. They are required to fulfill a legal responsibility to certify equipment safe for use by pilots and controllers. In essence, every day we put our professional careers on the line for the flying public. Whenever there is an aircraft incident or accident, it appears that everyone from the government to the manufacturers of the smallest component of the aircraft is involved in a law suit. Very few businesses would be willing to accept the legal liabilities incurred from the contracting out of systems maintenance by the FAA. We would like to remind this subcommittee that when the 9020 IBM system was originally installed, it was maintained by IBM for a very short period. Because of the complexities involved, the maintenance responsibility, and the ultimate certification responsibility, was soon assumed by systems specialists.

In the Administrator's statements concerning computer replacement, we do agree in one area. The current computers will not last to the year 2000. We urged the Congress and the FAA to start a replacement program years ago. We are, however, not convinced about the bulldozer approach being taken by this Administrator. His plan lacks achievable commitment to a specific goal, be it capacity productivity or safety.

In a report numbered 80-5, dated October 1980, the investigation staff of the Committee on Appropriations, United States Senate, highlighted many problems with the FAA's en route Air Traffic Control System. We do not feel the problems they discovered have been properly addressed by the FAA in the Administrator's National Airspace System Plan. To the best of our knowledge, the FAA still does not know the mean time between the failure of 9020 components. It still does not know the cost of an en route system because the supply system is maintained manually. Finally, it still does not have a system for reporting aging problems.

Most recently, the General Accounting Office has reviewed the FAA's 20 year National Airspace System Plan. In a letter dated April 26, 1982 to Administrator Helms, I quote the distinguished Congressman Jack Brooks, Chairman of the House Committee on Government Operations:

"The GAO found that the modernization plan is seriously flawed and should not be implemented without further detailed planning. To do otherwise could be risking future air safety and undermine the most needed upgrade of our air traffic control system. In addition, GAO found that FAA's actions to procure new computers for its Aeronautical Center and regional offices were not properly planned, justified or managed and recommended that the procurements be cancelled.

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"I intend to urge Congress to go slow in approving the modernization plan until the deficiencies uncovered by GAO are correct. I strongly urge you to take the necessary and forceful action to remedy the concerns of the GAO so that this nation can have the most modern, reliable and safe air traffic system available."

While this is merely a nut shell view of an indepth report, we feel it clearly shows that this Administrator has not learned from the mistakes of his predecessors.

It could easily appear that the cost of the National Airspace System Plan is being tailored to the audience. In a presentation to an OTA conference held April 1 and 2 in Washington, D.C., the participants left with the idea from Mr. Helms that the total cost of the program would be somewhere in the neighborhood of $14 billion. This differs greatly with the cost of the National Airspace System Plan through 1987, being $7.5 billion, as indicated before you. We feel that a plan of this magnitude should have the same cost for the same number of years regardless of what group the proposal is presented to.

We also bring to your attention a discrepancy. In Mr. Helms' statement concerning the National Airspace review, PASS does not sit on any one of the 18 task groups referred to by Mr. Helms. Mr. Helms has stated to you that labor is represented on these groups and we are informing you that PASS, the largest union currently in the FAA, is not taking part whatsoever. It is impossible for the airspace environment to be accurately reviewed without the active participation of the employees who provide the airspace system.

In the Administrator's statement, he highlighted the task force study of the morale problem with the Agency. He further stated that a high priority is being given to the relationship between management and the employees. We again must differ with the Administrator in his words. Our relationship since the release of the Jones Report has become worse.

PASS was certified as the exclusive bargaining agent for Airways Facilities Division employees on December 31, 1981. We are the largest representational unit within the FAA. The Administrator has not honored requests from this organization to personally attend a meeting to discuss problems confronting employees in Airways Facilities. We realize that the Administrator is a busy man, but we also feel that for one meeting not to have taken place in over four months is not conducive to good labor-management relations.

This organization is in contract negotiations with the FAA. Their negotiation team consists of two deputy directors. Either these deputy directors will have very broad decision-making powers, or the FAA does not plan on meaningful contract negotiations as required by law. It further stretches the imagination to a great degree that the expertise properly needed to negotiate a contract containing over 100 proposals rests with only two men who are based at the Washington headquarters and have been removed from the real working environment for a long time. Quite possibly the adversarial relationship that was generated within the FAA is being fostered by the FAA. One thing is definite, PASS has done nothing to earn the title of a militant union.

We feel the Jones Report, as the task force report study has become known, is extremely important. We only wish that we could see indications that would reinforce the Administrator's words, "We will take appropriate action and make changes where necessary to assure that divisiveness and alientation do not resurface." This organization is fully committed to working within the realm of the law to achieve a mutually acceptable contract. We are equally committed to representing our membership effectively. Most importantly, we are committed to maintaining the safety of the system.

The Administrator has talked about increased productivity. In view of the current morale of the FAA Airways Facilities workforce, we do not see that goal ever being achieved. There is great despair and concern on whether this workforce will be furloughed or not, and now the Administrator is already talking about a reduction in force in June or July.

To compound the problem, the National Airspace System Plan calls for the closing of literally hundreds of facilities throughout the country, adding further uncertainty to the professional and financial welfare of thousands of employees. These career employees are not numbers on paper, they are people. These employees have feelings, plans and concerns. They are dedicated, loyal and hard working. Their efforts are being rewarded with threats of pay losses, job terminations and relocations by the FAA. This is not conducive to high morale or increased productivity.

In a positive vein, we are convinced that better management decisions, especially in the purchase of new equipment and systems, can realize a viable savings to the tax payer.

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In closing, we would request that emphasis on unproven systems and pipe dreams be diminished. The emphasis on safety must be increased. The employees of the FAA must have higher consideration placed upon them. These employees are not FAA bureaucrats shuffling papers, filing reports and going on television. These are hard working, dedicated, loyal employees who work behind the scenes to provide the aviation system upon which this country has become dependent.

I would again like to thank this subcommittee for its efforts in finding some way to insure the safety of the flying public.

Senator KASSEBAUM. Thank you very much.

I think concerning both testimonies, with the flight service stations and with the employees that will be affected and the specialists with the change in the system, that there is going to be further opportunity to review aspects of the airspace system plan. I think that this morning the main emphasis is on the ADAP amendments and, more importantly, the designation of the funds and the funding levels for the first 5 years. And of course, that includes and encompasses the beginning of the airspace systems plan.

But I think as far as analyzing through either the GAO report or the OTA analysis—and Mr. Gibbons will be testifying next—that there are a number of questions that have been raised about some of these specifics and how that will be handled.

I guess I would ask both specifically—and you are addressing, Mr. Johannssen, the reduction in force—how this is affecting the employees at this point as far as trying to assess how they can meet future needs in the system? You mentioned the increased workload. What would be your remedy to that?

Mr. JOHANNSSEN. Well, what has happened is the philosophy of the FAA, the way they maintain their systems, has changed over the past few years.

Senator KASSEBAUM. How so?

Mr. JOHANNSSEN. We once were in a position where we used a preventive maintenance strategy, which was to take care of the equipment every day, make certain checks every week, make other checks, whatever, so that there would not be a failure to the system. The FAA has changed that philosophy to one which is a corrective maintenance philosophy, which says, we will do as little as possible, but when it fails repair it.

The system is getting older, and it is like taking care of your automobile. If you do the required checks, check the oil and things of that nature, you can expect it to last for a longer period of time. With the system the way it is today, when we reduce those preventive measures we reduce the numbers of people required to do the jobs, and we are now reaching a point where the training for the new system—and I understand that funds from ADAP are not available for training of these employees—will be inadequate. That is why I raised training needs today and I think that is an element that should be reconsidered in ADAP.

Senator KASSEBAUM. That it should be available?

Mr. JOHANNSSEN. Yes, that it should be; that at this present time, having gone through this last year and heard the wonderful praise of the administrator this morning, in fact praising to others but not doing it to the employees themselves. At this time, the morale is low—not just because of the furloughs; the entire Government has problems and we recognize that.

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But having gone through what has been a terrible, rough year for everyone within FAA, we view certain priorities—ADAP does not address one of these priorities, and that is training. The system as it is presently, will not continue as it is without change. The biggest change for the systems specialists aside from the workload is training.

I do not know if I have answered your question or not.

Senator KASSEBAUM. You say it is the training factor?

Mr. JOHANNSSEN. That's correct. Well, we are forced to be away from our homes for considerable periods of time for formal training.

Senator KASSEBAUM. Certainly the airport operators would not agree with you that the ADAP money should go for that training, I should think. They have been very reluctant, as a matter of fact, to think that FAA should move to such a large amount of funding from the trust fund.

Mr. JOHANNSSEN. Well, I think it is a matter of interpretation as to which came first, the chicken or the egg. Do we want the airports where we can have the facilities or do we want to get from one airport to the other? Someplace we have to have a compromise, and I think both sides have definite problems.

But if our people are not trained on the equipment properly, then I do not think anybody really wants to use the system.

Senator KASSEBAUM. Mr. Cushing, in addressing the flight service stations, as you know, the plan calls for reductions in the flying service stations over a 10-year period of time, and I am sure this is causing you some worry as you analyze the new plan.

Mr. CUSHING. No, I do not agree. I think we have agreed from the beginning that the system should be reconfigured. What we have asked in this is that there be a requirement on the part of the FAA that they adhere to the original plan.

Now, they have actually, over a 10-year period, forecasted to go from what is now 317 facilities down to 61. We have not opposed that, which is rather difficult for me to say as the president of a labor union. But being realistic or pragmatic, I think it is the proper attitude.

What we have asked is that we do not allow or that you do not allow and the Congress not allow the FAA to take advantage of our agreement. They are proposing right now to close, within the next fiscal year, some 90 flight service stations, which is a long ways from what they originally proposed, to do it over roughly a 10-year period.

And what we are asking of this committee is not a cost item; it is just to put restrictive language in there so that this system will be improved in an evolutionary manner rather than a revolutionary manner. That is all that we have asked.

So the original 61-station concept, as you may or may not know, evolved from a program that we devised some time ago. We have not supported it 100 percent until we see it in place and working, and that is all that we have asked: Do the first station, see if it works; and if it works, close those that are close to it, part-time first and then close, and demonstrate that the new system is going to be equal to the old. And then if it is, again in an evolutionary manner, the first hop, the second hop, the third hop.

But let us not try to do it all by closing the majority of stations and finding out 10 years down the road that 61 stations will not work.

I do not know if I answered your question or not.

Senator KASSEBAUM. Yes, yes; you did.

And I appreciate the testimony of you both and we certainly will take under consideration your suggestions. I think they are very good. Thank you.

The next witness is Mr. Gibbons from the Office of Technology Assessment. It is a pleasure to have you here. As Director of the Office of Technology Assessment, your evaluations of the proposed air space system plan are very important.

STATEMENT OF JOHN H. GIBBONS, DIRECTOR, OFFICE OF TECHNOLOGY ASSESSMENT

Mr. GIBBONS. Thank you very much, Senator. Madam Chairman, I will submit the full text of my prepared statement for the record and give you a shortened version this morning.

In our review of the national airspace system plan, we drew on our recently completed assessment of the airport and air traffic control system and on the results of a series of workshops with experts in the fields of air traffic control computer systems and communications technology as well as representatives from the Congressional Budget Office and the General Accounting Office.

As you know, Madam Chairman, the national airspace system plan is FAA's most recent long-range proposal for modernizing facilities and equipment that make up the air traffic control system. Viewed as a statement of policy goals and directions, the plan is to be commended as a significant and bold step if compared to past FAA efforts.

Mr. Helms' efforts in bringing order to an enormously complex enterprise are certainly to be highly complimented. But we feel that the plan is not without flaws. As a planning document, the plan lacks a clear sense of priorities and the relationships of new proposed systems to general system goals.

For example, the plan concentrates at least for the remainder of this decade on improvements in the en route air traffic control system but it fails to relate to those improvements to the goals of the system as a whole and particularly to the problems of airport congestion and terminal area capacity, which OTA feels will be the principal constraint on the future growth of aviation.

This is not to say that FAA ignores airports. A revised plan for airport development is to be issued later this year. FAA has also just begun a national airspace review, a 42-month effort that will reexamine the rules and procedures governing the use of airspace.

Still, by first issuing the plan for modernizing air traffic control technology without waiting until other efforts have at least defined needs in the area of airports and airspace procedures, FAA creates the impression that the problem is perhaps less pervasive than it actually is. This perception is reinforced by the FAA plan which concentrates on providing improved technology for the en route system by the late 1980s. There is little advantage in moving en route traffic more expeditiously only to have it encounter delays in

the terminal areas where capacity improvements are not scheduled to be made until considerably later.

I might add that OTA has just undertaken a new project concerned with airport system development.

The plan also makes no provision for contingencies in the event of technological problems, delays in the development schedule, or perhaps unanticipated restrictions on funding.

OTA's review of the plan identified four areas of specific concern: First, FAA's projected levels of air traffic demand; second, the specific technologies or hardware chosen for implementation; third, the effects of proposed improvements on airspace users; and finally, the cost and funding of these improvements. I would like to expand briefly on these four points.

With respect to the projected levels of demand, FAA's long-range traffic forecasts (that is, those for 10 years or more) have been too high in the past, and there are questions about the methodoligies and assumptions underlying the most recent projections on which the FAA plan is based.

The FAA could be overestimating future growth and, consequently, trying to move too fast with its planned modernization of the air traffic control system. Computer hardware and software technology are advancing very rapidly. A premature commitment to certain hardware now could freeze important developments out of the new system.

The one lesson from the past comes from experience with the Air Force advanced logistics system which was canceled partly due to a premature commitment to hardware and a lack of adequate systems engineering.

Also, to the extent that FAA forecasts overestimate demand, they may also overestimate the user fee revenues that will be available to pay for the proposed improvements.

With respect to the second area of concern—the specific technologies or hardware chosen—FAA proposes an incremental approach to modernizing the en route and terminal area computer systems. This has the advantage of minimizing risk at each stage of the modernization, but it also introduces the risk that hardware choices made in the first stages will overly constrain the options available for the final design of the new system.

Experts have told OTA that overall needs would be better served if FAA made minimum modifications to the existing system to meet near-term needs while proceeding with design and deployment of an entirely new system to meet the long-term needs. Advocates of this approach agree that the present system eventually must be replaced entirely and that the first steps in this process should be undertaken as soon as possible. However, they believe that FAA should find a cost-effective way to shore up the present system with the intent of discarding it altogether when the new system comes on line. A specific illustration of this approach can be seen in the area of computer replacement.

FAA's plan for replacing computers consists of four steps over the next 10 years:

First, to replace present computers with new computers that will use existing software. This step is called rehosting and is scheduled for completion by about 1986.

Second, to replace the present display units used by air traffic controllers, and this is scheduled for the late 1980's.

Third, to replace the present software then with new software that will be compatible with the new "host" computers. This step is also scheduled for completion in the late 1980's.

Fourth, to add new and more automated control functions sometime after the turn of the decade, in the early 1990s.

FAA's proposed rehosting approach was criticized by several experts at our workshops on the grounds that it could limit the options for the design of new software and the addition of more automated functions. They suggested an alternative short-term approach might be taken to make selective improvements to the present system while proceeding in a parallel effort to develop a totally new system design that would serve well into the next century.

Let me explain that. The computers now used in en route centers are assemblies of IBM equipment called 9020A's and 9020D's. The chief differences between the two kinds of assemblies are that the D computer has more computing power and a larger memory than the A. An alternative to buying new host computers for the entire en route system now would be to upgrade the 10 centers now equipped with the 9020A computers by installing 9020 D computers.

This a conversion which would create adequate capacity to handle projected demand until the early 1990's, requires installing at each center three central processing units called IBM 360/65's. The FAA has argued that one reason for not adopting this conversion approach is the unavailability of sufficient numbers of IBM 360/65's. We believe that there are ample 360/65's available as used equipment on the open market. Further, according to GSA, there were more than 100 360/65's in the Federal inventory as of early April of this year. We have also been assured that used 360/65s are suitable for A to D conversion and that they could be maintained to provide adequate service and capacity for the rest of the decade. FAA did not refute this view at our workshops.

In sum, FAA has advanced several reasons for rejecting the A to D conversion as a solution to the near-term computer capacity problem. OTA does not find these reasons persuasive. FAA's own analysis presented to the Congress in January 1982 seems to support the A to D conversion as a workable alternative.

FAA's plan to rehost the entire en route system would cost about $250 million and would take until about 1986 to accomplish. In contrast, the A to D conversion that I have just described would cost about $64 million and could be completed at least 2 years earlier, at a difference in cost of over $180 million.

I would like to point out that last week GAO also completed an independent review of the FAA plan. Their findings closely parallel OTA's on several major points.

With respect to the third area of concern—effects on airspace users—air carriers and larger business aircraft will benefit most from the proposed air traffic control improvements. Some general aviation users have expressed reservations about the FAA plan. Operators of general aviation aircraft will receive improved weather information, but there will be greater restrictions on their

access to airspace. They will also be required to buy more avionics equipment in order to receive the new air traffic control services.

The Department of Defense also has misgivings. DOD is both a major user and a joint administrator of the national airspace. Yet the FAA plan was developed with apparently little consultation with DOD. DOD has expressed concern about the effects of the FAA plans on the interface between military and civil ATC systems.

Finally, Madam Chairman, I want to touch on cost and funding issues. During the period from fiscal year 1983 to fiscal year 1987, the cost to implement the national airspace system plan would be about $1.2 billion per year, nearly three times higher in constant dollar terms than the average annual expenditures for this purpose in the past 10 years. Further, it seems likely that similar annual expenditures would be needed through the early 1990's in order to complete modernization of the air traffic control system, install a new communication network, and to update air navigation facilities.

FAA has indicated that the success of the plan depends heavily upon securing at the outset a long-term funding commitment. The proposed method is a system of user fees which would recover 85 percent of the FAA's future capital and operating costs from those who receive the ATC services: that is, 58 percent from commercial aviation and 27 percent from general aviation. The remaining 15 percent is deemed by FAA to be a public share.

Some members of the aviation community have disputed whether or not this is a fair allocation of costs among users. Regardless if the allocation issue may eventually be resolved, it seems reasonable that users should pay their fair shares. This would not happen under the user fee system proposed by the FAA. For example, passenger ticket tax rates would lead, by 1987, to air carriers paying about 1½ times their allocated share. On the other hand, general aviation fuel taxes would produce only about one-fifth of their allocated share, a substantial cross-subsidy.

There may also be a cross-subsidy within general aviation. General aviation turboprop and jet business aircraft, which are the fastest growing segment of civil aviation, now make up about 60 percent of all general aviation traffic in the IFR system and represent 30 to 35 percent of the total workload of FAA towers and en route centers. In contrast, small general aviation aircraft, which are used primarily for personal and pleasure flying, make little use of the ATC system. However, the fuel used by these personal aircraft would be taxed at essentially the same rate as fuel for the larger business aircraft which use the ATC system extensively.

If an equitable user fee system is sought, the formula for cost recovery should take into account the significant differences of use of the ATC system by different classes of general aviation. FAA's proposal does not do so.

In summary, two facts shape our thinking about the FAA's plans. First of all, computer technology will continue to change very rapidly in this decade. Second, our national ability to forecast air traffic 10 to 20 years into the future is not good. The record shows we have usually erred significantly on the high side in that process.

These two facts lead to identifying a great value in deferring final commitment to hardware and software for the new generation ATC as long as we safely can.

A plausible route, therefore, with great potential for saving money and being cost effective, is to upgrade the present system—for example, by the A to D conversion—to enable it to handle traffic into the early 1990's. Then, by the latter part of the 1980's, we could commit to installing the successor system (but hardware and software) which could be completely phased in by the early 1990's.

Compared to purchasing new equipment now, this option would provide extra time that is equivalent to at least one generation in computer technology. If we deferred commitment for that length of time, we would be able to put in place, by the early 1990's, a much more efficient system that would have much longer lasting value. Thank you.

[The statement follows:]

STATEMENT OF JOHN H. GIBBONS, DIRECTOR, OFFICE OF TECHNOLOGY ASSESSMENT

Madame Chairman and Members of the Committee: Thank you for inviting the Office of Technology Assessment to appear before you today. I am here to report to you on the results to date of a review that OTA conducted of the National Airspace System Plan released by the Federal Aviation Administration last January. This review was undertaken by OTA at the request of the House Committee on Appropriations, Subcommittee on Transportation. My statement today summarizes the results of this review, which we will complete early next month. A draft version of our report has been made available to this Committee.

In conducting the review of the FAA National Airspace System Plan, OTA drew on two major sources:

First, our assessment of the airport and air traffic control system, which was completed, coincidentally, at about the same time the FAA Plan was issued. The report of this assessment was delivered formally to the House Committee on Appropriations in April. At the same time copies were also delivered to your Committee, which endorsed the original request for an OTA assessment.

Second, meetings and workshops with members of the aviation community and various experts in the fields of air traffic control and computer and communication technologies. OTA held three major meetings:

(1) A working group on aviation forecasting and aviation growth scenarios;

(2) A working group on computer and communication technology;

(3) A two-day conference on the National Airspace System Plan, held April 1 and 2, and attended by 25 aviation and air traffic control technology experts. The Conference was chaired by Dr. John McLucas, President of Comsat World Systems, and formerly Administrator of the FAA and Secretary of the Air Force.

I will direct my statements today primarily to the 1982 National Airspace System Plan and the results of our review of that document. However, I would like first to touch upon the findings of the basic OTA assessment.

In December 1981, OTA completed an assessment of the airport and air traffic control (ATC) system, with emphasis on the problem of congestion at major hubs and on the feasibility, cost, and impacts of proposed ATC technology. This assessment arrived at the following major conclusions:

Congestion and delay in the system result primarily from the concentration of air traffic at a few major hub airports. The future growth of air traffic will aggravate congestion problems and spread them to additional airports.

There will be continued growth in air traffic through 2000, but the rate of growth will be slower than in the last 20 years and probably slower than projected in FAA aviation forecasts. The principal constraint on the future growth of aviation will be the lack of sufficient airport and terminal area capacity.

There are three basic forms of response to airport and airspace capacity problems: technological, economic, and regulatory. Changes in ATC technology and procedures can produce increase in capacity by allowing airspace and runways to be utilized more efficiently. However, much of the capacity increase to be derived from technology will not be realized until advanced systems such as automated metering and spacing; microwave landing system; and wake vortex detection, prediction, or reduc-

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tion are developed and deployed by the end of this decade or later. In the interim, congested airports will have to make use of demand-management alternatives—including economic measures such as peak-hour pricing and regulatory measures such as slot-allocation quotas or access restrictions—in order to shift traffic to a place or time when it can be handled more effectively.

All three approaches will be used, and the combination or emphasis will reflect both local conditions and a more fundamental policy decision: can the Nation continue its past practice of accommodating growth wherever and whenever it occurs, regardless of the cost; or is growth to be managed and directed so as to make economical use of existing resources and capacity.

THE 1982 NATIONAL AIRPORT SYSTEM PLAN

With these findings of the OTA assessment as background, I would now like to turn to the National Airspace System Plan released by the Federal Aviation Administration in January 1982. The NAS Plan outlines FAA's most recent proposals for modernizing the facilities and equipment that make up the air traffic control (ATC) system. The plan attempts to integrate the various improvements into a single long-range program that addresses major shortcomings and reduces costs of the current system. Viewed at a high level—as a statement of policies, goals, and directions—the NAS Plan is to be commended as a significant and even bold step compared to past FAA efforts to chart the future evolution of the system. But it is not without faults.

The national airspace system is a "three-legged stool" made up of airports, the ATC system, and procedures for using the airspace. All three need to be improved in an integrated fashion. The NAS Plan, however, deals with only one leg—the ATC system. OTA's assessment of the airport and ATC system found that lack of airport capacity—not ATC technology—will be the principal limit on the growth of aviation. The NAS Plan itself acknowledges that "capacity limitations at busy airports will be the constraining element" in the system. Nevertheless, the NAS Plan concentrates on ATC technology improvements that are directed at modernizing the en route, not the terminal area, portion of the system.

This is not to say that FAA ignores airports and airspace procedures. A revised plan for airport development is to be issued later this year. FAA has also just begun a National Airspace Review, a 42-month effort that will reexamine the rules and procedures governing the use of the airspace. Still, by first issuing a plan for modernizing ATC technology, without waiting until the other efforts have at least defined needs in the area of airports and airspace procedures, FAA creates the impression that we should, or even could, rely on technological solutions. This perception is reinforced by the NAS Plan itself, which gives first priority to improved technology for the en route system by the late 1980's. There is little apparent advantage in seeking to move en route traffic more expeditiously only to have it encounter delays in terminal areas, where capacity improvements are not scheduled to be made until the early 1990's.

With these reservations, the FAA plan for ATC system improvements is comprehensive. The proposed changes are technologically feasible, and they are consistent with the goals of increasing safety and productivity and accomodating future gorwth. In fact, providing capacity to accommodate anticipated growth at certain en route centers and terminal areas appears to have been the driving factor in the choice of technologies and in the implementation schedule proposed in the NAS Plan. FAA's long-term traffic and workload forecasts have tended to be too high in the past, however, and in some cases technological alternatives that might be equally effective or less costly than those selected by FAA in the NAS Plan appear to have been rejected because they did not fit into the schedule dictated by FAA's projections of growth in demand for ATC services. If the FAA forecasts are too high, the schedule may be unnecessarily rapid, and some of these technological options may warrant reexamination.

Even if the options presented in the 1982 NAS Plan are the appropriate ones, the Plan lacks a clear statement of priorities and contingencies. It states the goals of system development and describes the rationale of the planning process, but it does not relate these goals to specific programs in a systematic fashion. If, because of budgetary constraints or failure to meet engineering objectives, some items must be eliminated or schedules must be altered, the Plan does not make clear what effects this would have on the development of the system as a whole. Nor is it made explicit how elements of the Plan could be eliminated or rescheduled in such a way that major objectives are not compromised.

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It might be hoped that the FAA will carry the explanation one step further by describing the logical dependencies among elements of the Plan and by indicating critical paths of development and specific relationships to the goals of safety, capacity, and productivity.

Turning from consideration of the 1982 NAS Plan as a whole, OTA's review identified four specific issues: the projected levels of demand; the technologies chosen; the effects of the proposed improvements on airspace users; and the cost and funding of these improvements.

PROJECTED LEVELS OF DEMAND

Accommodating the anticipated growth of air traffic and ATC workloads is a primary justification for the system improvements proposed by FAA. In the past, however, FAA's long-term forecasts have generally proven to be too high, and they may still be too high. This raises questions about the usefulness of FAA forecasts as a guide to long-range planning and investment decisions. For example, FAA forecasts increased delays at several air traffic control centers in the near future. This forecast underlies the proposed approach to en route computer replacement, a decision that sets the pace and direction for overall system modernization. That decision, if taken, may unjustifiably limit the options available for the final system design.

OTA's review indicates that the growth projected by FAA may well occur ultimately, but there is such uncertainty that any program for upgrading the system should emphasize a flexible design that can be adapted to less growth, or more growth, without a fundamental change in the system. In addition, to the extent that FAA forecasts overestimate future traffic levels, they may also overestimate the user fee revenues that will be collected to pay for the proposed improvements.

THE TECHNOLOGIES CHOSEN

The current ATC system, in both en route centers and terminal areas, is based on the technologies of the 1960's. Technology has made rapid strides since that time, and there is wide agreement that the present ATC system should be upgraded or replaced. At the same time, there is disagreement about what steps should be taken and how rapidly they need to be implemented.

SYSTEM DESIGN AND TRANSITION

FAA has chosen to replace the present ATC system with a new one by small overlapping steps. The FAA Administrator has stated that, while there is no risk-free way to replace the present system, this incremental approach minimizes risk at each stage of the transition. While it reduces some kinds of risk, the incremental ap;proach proposed by FAA introduces the possibility of an entirely different kind of risk—the risk that hardware choices made in the first stages will limit the options available for the final system design.

Several experts consulted by OTA have suggested that overall needs would be better served if FAA made minmum modification to the present system to meet short-term needs, while proceeding with design and deployment of an entirely new system to meet long-term needs. Advocates of this "clean sheet" approach agree emphatically with other experts that the present system must eventually be entirely replaced, and that the first steps in this process should be undertaken as soon as possible. However, they call for a strategy that separates short-term remedial measures from the design of a long-term replacement. They believe FAA should find a cost-effective way to shore up the present system with the intent of discarding it altogether when the new system comes on line. A specific illustration of this approach can be seen in the area of computer replacement.

EN ROUTE COMPUTER REPLACEMENT

FAA's plan for replacing the en route computer system consists of four steps to be carried out over the next decade:

(1) Replacing the present computers with new computers that will operate with the existing software (i.e., the programs and operating instructions for the computer)—this is called "rehosting" and is scheduled for completion by 1986;

(2) Replacing the present display units (called "sector suites") used at controller work stations, scheduled for the late 1980's;

(3) Replacing the existing software with new software that will be compatible with the "host" computers bought in Step 1, also scheduled for the late 1980's; and

(4) Adding new, more automated functions sometime after 1990.

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FAA's proposed "rehosting" approach was criticized by several experts at the OTA Conference on the grounds that it could limit the options for the design of the new software and the addition of new functions. In their view, it would be better to consider the new "host" computer as an interim replacement, to be discarded by 1990 when the new system comes on line. FAA maintains that it has no intention of discarding the host computer, which will continue to serve as the basic processor for the ATC system until well into the 1990's.

An alternative short-term approach might be to make selective enhancements to the present technology—that is, upgrading the current computers in the centers where there are capacity problems—while proceeding with a parallel effort to develop a totally new system design, one that makes use of the best available technologies and that will serve into the next century.

Let me explain further. The computers now used in en route centers are assemblies of IBM equipment called 9020A and 9020D, built specially for FAA. The chief differences between the two types of equipment are that the 9020D has more computing power and a larger memory than the 9020A.

An alternative to buying new "host" computers for the entire en route system now is to increase capacity only at those centers that will soon begin to experience traffic overloads. These are the 10 centers equipped with 9020As. The centers equipped with 9020Ds will have adequate capacity to meet projected demand until the early 1990's. This capacity increase could be accomplished by converting the 9020As to the more powerful 9020Ds. This conversion requires installing at each center three central processing units called IBM 360/65s.

FAA has explained that an important reason for rejecting the alternative of converting 9020As to 9020Ds was that the agency could not locate a sufficient number of IBM 360/65s to carry out conversions at 10 centers. OTA believes there is an ample number of 360/65s available as used equipment on the open market. Further, an inquiry to the General Services Administration showed a total of 103 IBM 360/65s in the Federal computer inventory as of April 6, 1982. Of these, 13 have already been declared surplus, and others could be made available by replacing them with more modern equivalents. Experts have assured OTA that these used 360/65s would be suitable for the 9020A to 9020D conversion, and that they can be maintained to provide adequate service and capacity for the rest of the decade. FAA did not refute this view at the OTA Conference.

In sum, FAA has advanced several reasons for rejecting 9020A to 9020D conversion as a solution to near-term capacity problems at en route centers. OTA does not find these reasons persuasive. FAA's own option analysis, presented to the Congress in January, seems to support 9020A to 9020D conversion as a workable alternative—and perhaps perferable to the rehosting approach proposed in the NAS Plan. On the basis of cost and timing, 9020A to 9020D conversion seems superior. FAA estimates conversion to 9020D would cost $64 million and could be completed by 1984. Rehosting would cost $250 million and take 2 years longer to carry out—that is, not before 1986.

This is not to argue that the rehosting approach is necessarily ill-advised. Rehosting would provide ample computing capacity for 1990 and beyond, and it would provide a more modern and realiable computer upon which to base further system improvements. However, by acquiring a replacement that must be compatible with the present software and centralized system architecture, FAA may be limiting the degrees of freedom available for developing a distributed architecture for the system that will be put in place after 1990. For the Congress, further classification of the tradeoffs by FAA is essential to reaching a sound decision on the question of computer replacement.

OTA also has some reservations about the procurement strategy selected for modernization of the en route system. Two major procurements are involved—one for the host computer, the other for new software and sector suites. FAA's proposed strategy is a complicated process that entails choosing from all competitors two "finalists" for each of the two procurements. These finalists will then be asked to demonstrate their proposed system at the Test Center in Atlantic City, after which a production contract will be awarded to one of each pair.

Thus, FAA is placing itself in a position where it must manage four major contractor development efforts at the same time. The work of these contractors, and possibly several subcontractors, must be coordinated and kept on schedule. Equally important, the contractors must be kept insulated from each other to preserve competition and protection proprietary information. A less complicated strategy might have better chances of success, given the management problems inherent in this approach. If FAA concludes that its proposed approach is to be preferred, then—as a minimum—the agency should take additional steps to increase its internal capabili-

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ty to manage such a major system acquisition and to secure the services of an outside system integration contractor.

AUTOMATION AND HUMAN FACTORS

The present ATC system is very labor intensive and, without significant increases in controller productivity, the cost of operating the ATC system could rise sharply as traffic grows. FAA looks to increased automation as the principal means of achieving higher levels of controller productivity and holding down labor costs.

The Automated En Route ATC System (AERA), which is scheduled to be implemented in the early 1990's, would change the role of the controller from that of an active participant in the control process to that of a manager who oversees that operation of a highly automated system. Many of the routine decisionmaking functions now performed by humans would be automated, with the result that fewer controllers will be required for a given level of traffic.

Human factors and safety are important concerns in AERA. In a highly automated system it might be difficult for human operators to assert control in the event of a system failure or to take the necessary corrective actions in time. Therefore, the AERA concept assumes that the functions of the future ATC system will be distributed among various elements. In the event that the main computer at a facility fails, auxiliary computers (acquired during the second phase of system modernization) will contain enough processing power to provide at least some backup functions; other functions will be transferred in real time to neighboring centers that remain operational. In other words, the backup to automated operation will be another equally automated form of operation.

FAA recently commissioned five analytical studies of the AERA concept. Four of the five generally agreed with the proposed plan. The fifth, conducted by the Rand Corporation, suggests that the AERA concept of automation may not be desirable either from the standpoint of safety or from the standpoint of human factors—the controllers ability to participate effectively in such a highly automated system and to take effective and prompt remedial action if a computer breakdown occurs. OTA believes that FAA's plans for automating the future ATC system will require close and continued examination by disinterested technical experts.

SATELLITE TECHNOLOGIES

FAA does not foresee a role for satellites in the ATC system before the end of the century. This technology has developed rapidly over the past few years, and satellites have considerable potential not only for communication but also for surveillance and navigation.

FAA's position is that satellites could eventually have a role in providing ATC services to aircraft operating over land, but they are not yet a cost-effective alternative to ground-based systems. FAA envisions that the more likely near-term application of satellites will be to provide communication and navigation services to aircraft operating over the ocean, where only minimal services are now available.

Satellites could also be used to improve surveillance. The area covered by ground-based radar is limited by terrain, and it would be very expensive to provide for full coverage of U.S. airspace using ground sensors alone. Surveillance satellites, working in conjunction with the Mode S data link and ATC computers on the ground, could determine aircraft position and provide the basis for separation services. This would be particularly useful in resolving the problems that arise in providing coverage at low altitudes where small GA aircraft sometimes share the airspace with high-speed military jets on training missions.

Satellites can also serve as aids to navigation. The military Global Positioning Satellite system is partially deployed and, when completed, could be used to provide navigational fixes with the same (or higher) accuracy as now afforded by ground-based navigation aids. The FAA Administrator has stated that navigation satellites were omitted from the 1982 NAS Plan because they could not be fitted into the overall, and perhaps somewhat arbitrary, schedule for ATC system modernization. The preparatory work necessary to bring satellite navigation services for civil aviation to an operational status could not be completed before the end of the present decade, when FAA plans to have the essential parts of the new ATC system in place. Slippages in FAA's proposed deployment schedules, however, could reopen the satellite option.

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EFFECTS ON AIRSPACE USERS

The proposed ATC system improvements are directed primarily to the needs of IFR traffic; they also benefit FAA itself by automating functions and reducing labor costs. The principal user benefits will be for air carriers and larger business aircraft. Some general aviation (GA) users have expressed reservations about the FAA plans. Operators of GA aircraft will receive improved weather information, a major benefit, but there will also be greater restrictions on their access to airspace, and they will be required to buy more avionics to receive full ATC services.

The Department of Defense (DOD) also has misgivings. DOD is both a major user and joint administrator of the national airspace. Yet, the 1982 NAS Plan appears to have been developed without consultation with DOD. DOD has expressed concern about the effect of planned FAA actions on the interface between military and civil ATC systems. DOD feels that some of the improvements proposed by FAA will not add to military mission capability and may impose more costs than benefits on the military users.

DOD estimates the cost to equip military aircraft with Mode S alone will exceed $1 billion. These costs, which will ultimately be borne by the general taxpayer, must be balanced against whatever benefits Mode S has for military and civil aviation. Costs to equip military aircraft with TCAS (the collision-avoidance system selected by FAA for civil aviation) will also be high, and DOD has expressed concern about the effects that the airborne antenna required for TCAS might have on the aerodynamic performance of certain military aircraft.

COST AND FUNDING ISSUES

The costs of implementing the 1982 NAS Plan over the next 5 years would lead to substantial increases in the FAA budget for facilities and equipment (F&E). According to budget estimates released by FAA Administrator Helms on March 17, 1982, in testimony before the Aviation Subcommittee of the House Committee on Public Works and Transportation, the F&E costs for the period fiscal year 1983 to fiscal year 1987 would amount to slightly over $6 billion—or about $1.2 billion per year on average. Thus, future F&E costs would be nearly three times higher, in constant-dollar terms, than the average annual expenditures for this purpose in the past 10 years. Cost estimates for the NAS Plan in the years beyond 1987 have not yet been released by FAA, but it seems likely that annual expenditures of roughly equal magnitude would be needed through the early 1990's in order to complete modernization of the ATC system, install a new communication network, and upgrade air navigation facilities.

Statements by the Administration tie implementation of the Plan very closely to funding issues. FAA Administrator Helms has indicated that the success of the Plan depends heavily upon securing a long-term funding commitment at the outset. The proposed method of assuring a stable and reliable source of funds is a system of user fees that would recover 85 percent of the FAA's future capital and operating costs from those who receive ATC services.

The burden of cost recovery would not fall equally on each class of airspace user, however. Recovery from air carriers through the passenger ticket tax would vary from 104 to 148 percent of the costs allocated to them by FAA. The proportion recovered from general aviation (GA) as a whole would be between 12 and 20 percent of their allocated share. Thus, GA would apparently receive a substantial cross-subsidy from air carriers (more properly, from airline passengers and shippers of air freight).

There may also be an additional cross-subsidy within general aviation. That part of the GA fleet made up of turboprop and jet business aircraft operates in the IFR system much of the time and is used in a manner similar to air carriers—point-to-point flights, into and out of major airports, under IFR, and receiving full ATC services. These business aircraft now constitute about 60 percent of all GA traffic in the IFR system and represent 30 to 35 percent of the total workload at FAA towers and en route centers. Business aviation is also the fastest growing segment of civil aviation.

However, the Administration's proposed user fees do not allocate costs differentially among GA classes. The fuel used by business aircraft making extensive use of the IFR system would be taxed at essentially the same rate as the fuel for small GA aircraft that are used for personal and pleasure flying and make little use of the IFR system. Thus, business aviation would appear to receive a cross-subsidy from personal aviation.

If equitable cost recovery is to be the principle, a cost allocation formula should take into account the significant differences in the burden placed on tower and en

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route facilities by the business and private segments of the GA fleet. The Administration proposal does not do so.

As a postscript, I would like to add that the OTA critique is only one step in the review of the NAS Plan by Congress and the aviation community. While some of the comments I have offered today have been pointed, they certainly should not be construed as taking credit away from what Mr. Helms and the FAA have set out to do in the NAS Plan. Mr. Helms' efforts in bringing order to an enormously complex enterprise speaks for itself. The observations I have offered today are intended to be constructive, and in that spirit I look forward to this Committee's and the FAA's response.

Senator KASSEBAUM. Thank you very much, Mr. Gibbons.

Just a couple of questions on your projections. Do you see that the final product of the system would be different enough that the first phase could not proceed ahead? You recommend just an upgrading of the present hardware until, what, 1990, when you believe a whole new generation of systems would be on line. And yet are sure that these new systems are constantly evolving and changing and that will continue no matter when we start to change the program. But the ultimate end, I would think, would be a new computerized system.

Mr. GIBBONS. Precisely.

Senator KASSEBAUM. And this first phase, it would seem to me—and I am no technician on this—could proceed ahead without significantly altering the end result.

Mr. GIBBONS. Our belief is that there are methods for improving the present system, using presently available hardware that matches the hardware that is in the system now. There are a number of 360/65 computers available to create 9020D systems as replacements for 9020A's. This would allow increasing and enhancing the capacity of the present system using the same kind of equipment and the same software.

Our thought is that A to D conversion would give time for parallel development, of a complete replacement system, that is, parallel development of both hardware and software and careful systems engineering to integrate the two in a replacement system for the early 1990's.

Senator KASSEBAUM. I am assuming that you do not believe the present proposal is that cost effective then? You gave the difference in cost there.

Mr. GIBBONS. It is not clear which approach would be most cost-effective in the long run. FAA has put forward arguments that favor each approach, but we have not seen evidence, convincing evidence from FAA, that indicates why they would choose the new host computer rather than A to D conversion, which could be done faster and apparently at substantially less cost.

Senator KASSEBAUM. I am sorry that Mr. Helms is not here to participate in this. But what answer does the FAA give you as far as your belief that they have overestimated the air traffic demands?

Mr. GIBBONS. The difference between Mr. Helms and myself, I believe, is that, when he talks about the accuracy of their predictions, he is speaking in terms of 5-year forecasting of workload, which has been rather accurate. However, I am speaking of the long-term, 10-year forecasting upon which planning of the new

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system is based. History has shown that these FAA forecasts have generally overestimated future demand.

Senator KASSEBAUM. How do you even determine it? They both operate from the same basis? Obviously not.

Mr. GIBBONS. If we go back to the 1960's and 1970's and look at the demand forecast for the late 1970's and early 1980's, we find that the 10-year forecasts made then have fallen dramatically short of the demand that actually materialized.

We agree with Mr. Helms that FAA's long-range forecasting is getting better. But there is no strong and convincing evidence to support the likelihood of the demand projected for 1990 and beyond to the turn of the century.

If there were any way that we could, as it were, wait to fire until we see the whites of their eyes—that is, wait even a few more years before making a commitment to the new system, we will perhaps have a much better view of what the demand is going to be. And that could have major cost implications.

Senator KASSEBAUM. That is very interesting. I am sure that at the end of World War II, for instance, we never would have foreseen the demise of our rail transportation system that we have seen. And I think that it is very important for us as we move that far out, and yet I do not know that we have the luxury of ever being able to forecast as accurately as we would wish.

But I think that your analysis is very interesting. And I think as we take part in assessing the new system and its needs, that this will be a very important part of trying to assess which direction we should go.

Thank you very much, Mr. Gibbons.

Mr. GIBBONS. Thank you.

Senator KASSEBAUM. That concludes the hearing.

The committee stands adjourned.

[Thereupon, at 12:10 p.m., the subcommittee was adjourned.]

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ADDITIONAL ARTICLES, LETTERS, AND STATEMENTS

STATEMENT OF DELEGATE RON DE LUGO OF THE U.S. VIRGIN ISLANDS

Madame Chairman and members of the subcommittee, I wish to add my voice in support of your intention to increase authorization levels for the Airport and Airway Development Program legislation now before you. By raising the funding level for the airport program to $690 million for the coming fiscal year and increasing it 15 percent annually to $1,206.8 million in fiscal year 1987 you will be ensuring that critical improvements to many of our nation's airports will be made. As a member of the Aviation Subcommittee in the other body, I am intimately familiar with the demands this growing segment of our transportation system is placing on local facilities, many of which are only marginally safe.

To provide you with a case in point, I would like to brief the members on the progress being made in improving the safety of Harry S Truman Airport in St. Thomas. This airport has repeatedly been at the top of the black star airport list, making it one of the most dangerous airports in the world.

Our program to correct this situation is composed of three phases. Phase I which called for the literal removal of a mountain at the end of the runway and placing it in the bay at the other end to lengthen it is almost complete. Phase II calls for the construction of a new terminal facility to replace the World War II corrugated steel building now located on the planned taxiway. Phase III calls for the construction of taxiways and surfacing of a new modern runway capable of handling all current and future aircraft projected for use by the major air carriers.

I do not think any member of this Subcommittee needs to be reminded of how important air transportation is to the economy of my community and the well being of its citizens. You may be interested to know however, that in an area where access by air determines the success of tourism as well as other business development, that there are only three other airports in the Caribbean small than St. Thomas'. Presently, the runway at HST is 4,658 feet with plans to extend it 2,400 feet into the sea. For any of you who may have been Navy pilots, it has been said, "If you liked landing on the Lexington (one of our smaller aircraft carriers), you will love landing at Truman Airport." This factor coupled with the potential detrimental economic effect of the President's proposed Caribbean Basin Initiative on our community make it imperative that work at HST airport continue at the fastest pace possible.

The Virgin Islands Port Authority has projected the construction capability for this project in the coming fiscal year to be $15 million with the total project cost estimated to require $40 million. A delay in construction only adds to the project cost as inflation in construction materials is roughly twenty percent. A halt in construction, should that occur, could cost another $8 million alone to mobilize the equipment, supplies, and personnel that are already there and working.

The improvements being made at HST and other airports around the country have a much greater chance of being completed under an ADAP program funded at the higher levels you are now proposing. I urge you to adopt these levels and to pursue speedy consideration of this important legislation by the entire Senate. Further delay in reauthorizing this vital program jeopardizes the safety of the traveling public. We must restore this program now.

STATEMENT OF HENRY ESCHWEGE, DIRECTOR, COMMUNITY AND ECONOMIC DEVELOPMENT DIVISION, GENERAL ACCOUNTING OFFICE

Madam Chairwoman and members of the subcommittee, we welcome the opportunity to discuss our ongoing review of the adequacy of maintenance of small airport runways which were developed under the airport development aid program.

Between 1970 and 1981, the federal aviation administration (FAA) invested about $760 million to construct and improve runways at over 1,700 of the nation's smaller

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airports, as part of developing a national airport system. As a condition of receiving federal aid the airport owners—normally local governments—agreed to properly maintain the airports.

Because our review has not been completed the views expressed in this statement should be regarded as tentative. We plan to issue a final report in August 1982 after we have obtaned comments of the Department of Transportation.

RESULTS OF REVIEW

We round that critical runway pavement maintenance has been deferred in most instances for several years at 33, or 72 percent, of the 46 airports we visited. Conditions ranged from ¼ inch cracks over a portion of the runway to cracks up to 3 inches wide over the entire runway. We also found crack up to 6 inches deep. We found no significant differences among FAA regions or type of airport. Although poorly maintained runways can be a safety hazard, none of the runways with deferred maintenance were considered unsafe by the inspectors.

The inspectors that accompanied us estimated that the useful life of the runways inspected could be shortened by an average of 24 percent, or about 6 years, unless they are repaired. In addition to shortening a runway's useful life, deferring maintenance can result in serious damage to the basic runway structure, thus increasing the cost to rehabilitate the runway. Much of this increased cost could be borne by the Federal Government if the runways involved are rehabilitated under a future airport development aid program.

FAA's failure to effectvely monitor airport maintenance and accurately assess airport pavement conditions contribute to deferred maintenance, but lack of funds to perform maintenance was the reason most often cited by airport representatives.

In addition to our work in the 10 States, we discussed the poor maintenance conditions we found with the FAA director of airports standards and his staff. Based on these discussion, and studies by others which are covered later in this statement, we believe that the problems identified are widespread.

BASIS FOR AIRPORTS SELECTED

We performed our review in the New England, Southwest, and Northwest regions of the FAA in order to provide both a geographic and a climatic perspective. Our review encompassed all runway projects completed between January 1, 1970, and December 31, 1974, in Connecticut, Maine, Massachusetts, New Hampshire, Vermont, Louisiana, Idaho, Oregon, and Washington, and in the southern portion of Texas. We selected projects completed during this period because the effects of poor and/or deferred maintenance should be more visible on older projects. We excluded large airports from our sample, because preliminary work showed that such airports did not have serious maintenance problems. We selected 46 airports and visited them between November 1981 and February 1982. Our review included 12 small air carrier, 10 commuter and 24 general aviation airports.

INSPECTION PROCEDURES

The FAA provided us qualified engineers to assist us in inspecting and assessing runway consitions at all airports except in Idaho. An Idaho State Aeronautics division official assisted us in Idaho. The runway conditions were assessed solely by visual inspections.

Airport representatives also accompanied us during the inspections and discussed their runway maintenance practices. We contacted the aeronautic division office in each of the 10 States to ascertain the State's role in airport maintenance and to review State airport inspection reports.

LACK OF FUNDS CITED FOR DEFERRING MAINTENANCE

Representatives at 29 of the airports deferring maintenance said that they lacked the funds needed for an adequate maintenance program. All the airports inspected were owned and operated by a city, county, State, or port authority. Most airports we visited were not self-supporting and had to be subsidized by the owner. In varying degrees, 35 of the 46 airports depended on subsidies to supplement funds collected from airport users. Unaudited information provided by the 35 airports shows that 21 received at least half of their total annual revenues from subsidies.

Airport representatives' attempts to obtain more operating and maintenance subsidies were not well documented. In some cases, the amount of funds requested for maintenance could not be ascertained from available records. In other cases, the actual amount made available for maintenance could not be determined because

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local or State government maintenance crews performed the maintenance without charge to the airports.

State funds to help locally owned airports pay for runway maintenance are limited. For example, only 5 of the 10 States we visited had programs to assist locally owned airports to meet their maintenance needs. State officials agreed that inadequate funds have contributed to deferred maintenance at locally owned airports.

Lack of funds for pavement maintenance is a longstanding problem. In 1974 the Department of Transportation contracted for an analysis of general aviation airports developed with Federal financial aid. The contractor reported that few of the airports inspected had performed maintenance to protect or extend runway life. The contractor observed that most general aviation airports are owned by small municipalities, which do not have funds available to maintain runways. In 1980 the national association of State aviation officials expressed concern over runway deterioration at a large number of the Nation's public-use airports. Based on a survey of its members, the association concluded that a need exists for priority emergency funding to preserve the existing public-use airport capacity. The survey showed an unvalidated, very rough estimate of such needs as $74 million for general aviation airports and $70 million for air carrier, commuter, and reliever airports.

FAA COULD DO MORE TO PREVENT DEFERRED MAINTENANCE

Although a lack of funds was the primary reason airport representatives cited for deferring maintenance, FAA's failure to report poor maintenance conditions and practices during routine airport inspections and to require the owners to correct them is a contributing factor. We reviewed available FAA inspection reports for each airport where deferred maintenance was observed. Even though the runways were poorly maintained and the deferred maintenance conditions we noted apparently existed at the time of the most recent FAA inspection, the inspection reports showed that maintenance was satisfactory at 31 of the 33 airports. We could not find any FAA inspection reports for one airport and the inspection reports for the other airport commented on inadequate maintenance.

According to FAA officials, FAA inspectors do not report poor maintenance conditions because finding a sponsor in noncompliance with grant obligations could ultimately lead to taking administrative or judicial actions against such sponsors. FAA officials in the three regions we visited said that taking such action would be contrary to FAA's mission of promoting civil aviation. They stated that FAA prefers to obtain voluntary compliance with grant agreements and has never sought to force compliance through court orders or administrative actions.

Although attempting to obtain compliance with grant obligations through cooperation and mutual agreement may be in the best interest of all concerned, these grants represent significant Federal investments, and FAA is responsible for seeing that airports meet their commitments. Therefore, we believe that FAA may have to, as a last resort, use administrative or judicial actions to obtain compliance.

Some maintenance might not be deferred if airport managers had better guidance on acceptable runway maintenance practices. While some airport managers attempted to perform runway maintenance, their methods of cleaning, filling, and sealing pavement cracks were improper and ineffective. In addition, some airport managers were damaging runways during snow removal. FAA is developing, and plans to distribute, an advisory circular on airport pavement maintenance. FAA officials said that they plan to provide training to airport sponsors on how to use the advisory circular.

POSSIBLE ACTIONS

We are exploring a number of actions which the Congress and Secretary of Transportation could take. The Secretary could have the Administrator, FAA direct the agency's airport inspectors to report airport sponsors' poor maintenance of runways; direct the agency's regional offices to pursue airport sponsors' compliance with maintenance obligations, and as a last resort, take administrative or judicial action against sponsors who fail to properly maintain their runways; and initiate a dialogue with the States that are not currently assisting small airports to see if such assistance can be arranged.

The Congress, in structuring a new airport development aid program, may want to require airport sponsors to provide greater assurances that funds for maintenance will be available and provided when needed. Such assurances could take the form of a requirement that a trust fund or similar dedicated funding source be established; or possibly the sponsor could be required to obtain a performance bond or

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similar guarantee that maintenance will be performed; or provide financial aid for maintenance at small airports.

As you may recall Madam Chairwoman, we provided comments last spring on our concerns over certain requirements provided for in the proposed Airport and Airways System Development Act of 1981 (Senate bill 508). A copy of our April 6, 1981, letter is attached to this statement for ready reference.

Madam Chairwoman this concluded our statement.

Attachment.

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, D.C., April 6, 1981.

Hon. NANCY L. KASSEBAUM,
Chairwoman, Subcommittee on Aviation, Committee on Commerce, Science, and Transportation, U.S. Senate, Washington, D.C.

DEAR SENATOR KASSEBAUM: This is to advise you of our concerns over certain requirements provided for in the proposed Airport and Airway System Development Act of 1981 (Senate bill 508) and to ask your support in any actions you or the Subcommittee may take to provide for the improvement of the Nation's airport and airway system.

PLAN FOR JOINT USE OF MILITARY AIRPORTS

Section 4(c)(2) of Senate bill 508 would require the Secretary of Defense, the Secretary of Transportation, and the Comptroller General to submit a joint evaluation of the military airport system along with a plan for joint use of military airports and facilities. We believe that our Office should not participate in the evaluation or in the formulation of such a plan because it is a basic executive agency responsibility to determine the manner in which they should use their resources to effectively, efficiently, and economically achieve the objectives established or intended by the Congress. Our Office is charged with objectively and independently evaluating and reporting to the Congress on the efficiency, effectiveness, and economy with which agencies carry out their responsibilities. We would be unable to do this if we participated in the development of the proposed plan.

INDEPENDENT AUDIT OF GRANTS

Subsection 20(c) of the Senate bill would continue the requirements provided for in subsection 26(c) of the Airport and Airway Development Act of 1970 (49 U.S.C. 1726(c)). The Act of 1970 required (1) grant recipients to file with the Comptroller General copies of any independent audit reports relating to the use of grant proceeds and (2) the Comptroller General to report to the Congress on the contents of these audit reports.

The Federal Aviation Administration (FAA) has told us that neither its records nor its audit efforts have disclosed that grant recipients have arranged for independent audits of grant proceeds. Grant recipients have no real need to arrange for independent audits of grant proceeds because, generally, grant proceeds are audited in-house by the Department of Transportation (DOT), or by independent public accountants contracted for by DOT or FAA. Accordingly, we see no need for the provisions of subsection 20(c).

REPORTING ON THE AVAILABILITY OF FUNDS FROM NON-FEDERAL SOURCES

Subsection 20(e)(1) of Senate bill 508 would require grant recipients at any primary airport that is part of an air traffic hub to document to the Comptroller General that adequate funding for airport development projects is not available from sources other than Federal assistance. This subsection would empower the Comptroller General to prescribe the manner and form of such documentation, but as a minimum, this documentation would be required to include: a statement of assets and liabilities; capital and surplus or deficit analysis; and a statement of sources and applications of funds. Also, each year the Comptroller General would be required to provide a copy of such documentation to the Congress along with a report containing any comments, information, or recommendations on the operations and financial condition of grant recipients. Subsection 20(e)(2) would require the General Accounting Office to develop a standard accounting system for grant recipients within 180 days of the bill's enactment to ensure the compatibility of the documentation required by subsection 20(e)(1). These provisions were apparently added to the bill to aid the Congress in determining whether additional airports, similar to those identified in subsection 23(a) and (b), should be defederalized, i.e., made ineligible for Federal airport development grants.

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Subsection 20(e) (1) and (2), if enacted, would have a substantial impact on grant recipients and our Office. First, it appears that a large number of airports would be required to provide documentation. There are about 550 air carrier airports, excluding those to be defederalized, and over 130 commuter service airports. Many of them would be eligible for grants each year under the distribution formulas provided for in subsection 8(b) of Senate bill 508 because of the number of passengers enplaned at these airports, and they would be subject each year to submitting the documentation required by subsection 20(e)(1). The repetitive nature of this documentation could be considered excessive/redundant and an unnecessary burden to grant recipients.

Regarding the establishment of accounting standards to meet these minimum documentation requirements, we understand that the American Institute of Certified Public Accounts (AICPA) is currently developing for airports detailed reporting requirements for assets, liabilities, and fund balances; operations; and changes in financial position. A pronouncement from the AICPA is to be issued in the near future.[1] Until this pronouncement is issued and the details of the reporting requirements known, our Office would prefer not to be involved in the development of standards so as to avoid duplication. Also in the past, our Office has not developed reporting requirements (accounting standards) for general purpose financial statements for organizations in the private sector. This responsibility has been with the Financial Accounting Standards Board, the AICPA, the National Council of Governmental Accounting, or other bodies.

Besides the minimum documentation requirements, we believe additional information will be needed to document that adequate funding was not available from other sources. This information would include, but would not necessarily be limited to the following: the borrowing authority of the grant recipient, including any limits, and the status of its current borrowings; the recipient's authority and efforts to obtain funds from the local government responsible for the airport; and extensive and detailed information not available from the financial statements to evaluate whether the airport was operated economically and efficiently. These additional documentation requirements would be time consuming and costly to grant recipients.

Our Office would need more resources—personnel and money—to do the additional work that is inherent in the requirements of subsection 20(e)(1) of Senate bill 508. There could be several hundred grant recipients submitting documents each year which would have to be processed and reported on to the Congress. The following table shows the number of development grant agreements by type of airport for each of the last four fiscal years.

Fiscal year	Type of airport		Total
	Air carrier/ commuter	General aviation/ reliever	
1977	511	246	757
1978	504	257	761
1979	496	362	858
1980	519	298	817
Total	2,030	1,163	3,193
Average	507	291	798

Use of existing staff to do the work to meet the requirements of this subsection could affect our ability to serve the other needs of the Congress in other areas.

Previously, it has been the Federal grantor agency—not GAO—which has established the specific information needs, along with the form of the reporting. This allows our Office to exercise our traditional role as the independent reviewer and evaluator of both the grantor and the grantee activities and performance. This role

[1] The AICPA issued its pronouncement in September 1981, entitled, "Audits of Airlines." The pronouncement, however, does not provide the substantive guidance on airport accounting that we have anticipated. It describes the current financial accounting and reporting practices for the airline industry and the application of generally accepted auditing standards to audits of financial statements of entities in the airline industry.

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is consistent with the type and amount of resources made available to the Office by the Congress.

STUDIES ON DEFEDERALIZED AIRPORTS

Section 27 of Senate bill 508 would require the Secretary of Transportation and the Comptroller General to conduct separate studies to determine whether airports made ineligible for Federal assistance under subsections 23(a) or 23(b) of the bill could make up for the lost Federal assistance through renegotiation of rates (landing fees) with air carriers or by other means. These studies also would consider the advisability of repealing section 1113 of the Federal Aviation Act of 1958 (49 U.S.C. 1513) to permit such airports to impose a tax, fee, or head charge.

The requirement for separate studies by both the Secretary of Transportation and the Comptroller General is a duplication of effort and does not seem to be the best use of Federal resources. Further, concurrent studies by this Office and the Secretary of Transportation would result in constant competition in obtaining needed information and records. This competition would have an adverse impact on those required to provide the needed information and records and make it difficult to complete the studies within the 9-month time period provided by the bill. Because of the duplication and its adverse impacts, we believe we could better assist the Congress by monitoring the scope, methodology, and implementation of the Secretary's study. As always, we are willing to work closely with the Congress by responding to specific requests.

The studies provided for by section 27 are intended to provide a basis for seeking legislative relief should the studies show that any defederalized airport was having difficulty making up the lost Federal assistance. We believe an alternate approach exists to address this potential problem. The Secretary of Transportation could be provided with standby authority to either give defederalized airports authority to impose a tax, fee, or head charge, or to reinstate an airport's eligibility for Federal assistance should the Secretary find that a defederalized airport was unable to replace the Federal funds. This approach would eliminate the need for the studies proposed in Senate bill 508, as each airport would be considered on an individual basis. It would also eliminate the need for the Congress to enact legislation later to provide needed relief. Further, it would be more consistent with our past recommendation that the Congress establish priorities and use them to distribute Federal airport development grants to implement the National Airport System Plan, considering among other things the financial resources of airports. (See our report "Developing a National Airport System: Additional Congressional Guidance Needed," CED 79-17, Apr. 17, 1979.)

We believe our concerns about certain requirements in Senate bill 508 are reasonable and well founded. We ask your support in the actions you or the Subcommittee take.

We are sending similar letters to the Chairman, and to the Ranking Minority Member of the Senate Committee on Commerce, Science, and Transportation.

Sincerely yours,

MILTON J. SOCOLAR,
Acting Comptroller General of the United States.

STATEMENT OF AEROSPACE INDUSTRIES ASSOCIATION OF AMERICA, INC.

On behalf of the nation's major manufacturers of aircraft, aircraft engines and related components and equipment, the Aerospace Industries Association of America, Inc. (AIA), appreciates this opportunity to state our views on what we believe to be the essential provisions of new airport and airway development and aviation user tax legislation. Obviously, development and maintenance of a modern, coordinated and efficient airport and airway system is crucial to the aerospace manufacturing industry as well as to the country as a whole.

It was to support such a system that Congress created the Airport and Airway Trust Fund in 1970. But the expiration of the ADAP program and its companion revenue title in October 1980 has led to a situation where the Trust Fund will register a surplus (uncommitted balance) in excess of $2 billion at the end of the current fiscal year. At the same time, aviation user taxes that are collected have been flowing into the General Fund, instead of being dedicated to urgently needed capital improvements. To that extent, carriers, and more importantly, their passengers and their shippers, have been short-changed. We simply do not have as efficient an airport and airways system as could be provided by currently available technology. Congestion at major airports (as examined in the attached AIA study, revised and

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reissued in November 1981) results in wasted fuel, increased costs and wasted time for passengers. The Aerospace Industries Association feels that the time has come to revise the policy of past years and tackle this problem head on, and we view the package of amendments that will be offered to S. 508 as a positive step towards achieving many of the desired improvements.

It is imperative that the Airport and Airway Development Act and the Airport and Airway Revenue Act be revived. Historically, we do not believe that the ADAP Grant-In-Aid Program has kept pace with airport development and improvement requirements, even at the fiscal year 1980 peak outlay level of $590 million. Furthermore, a recent survey by the Airport Operators Council International (cited in the March 22, 1982 issue of Aviation Week & Space Technology) estimated that U.S. airports need to spend approximately $1.5 billion per year for the next five years to meet the aviation community's needs. Consequently, we urge that the ADAP authorization level be set at $750 million, with priority to be given to congested airports and reliever airports, and for airside improvements and land acquisition. Development of reliever airports, including privately owned, public-use airports and heliports, will be a critical factor in relieving congestion and delays at major airports (see AIA study accompanying this statement). The maximum practicable funding for reliever airports should be incorporated into a reauthorized Airport and Airway Development Act, and we would further urge the Secretary of Transportation to make full use of his discretionary funds to develop and construct reliever facilities.

Substantial increases in R&D authorization levels will be required to compensate for fiscal year 1982 budget cuts in this area, and to begin implementation of the National Airways System Plan (NASP); AIA therefore supports an fiscal year 1983 R&D authorization level of $134 million and in general supports a higher percentage of funds for R&D in the high technology area of air traffic control. We also support increased funding levels for F&E that are commensurate with the needs set out in the NASP. It is also important to emphasize that if renewed legislation is to achieve the goal of a comprehensive airport and airway improvement program, such legislation must be multi-year in nature to allow for long-term planning of projects and to assure a stable funding environment in which to carry out the NASP objectives. We believe that a necessary aspect of such a multi-year program is the enactment of a legislative safeguard which would require the Administration to use the Trust Fund for its intended purpose, and to prevent the accrual of a Trust Fund surplus that can be used as an offsetting figure in the unified budget.

Because the legitimate demands on the Trust Fund monies are so evident and pressing, it has long been our position that none of this money should be used for Operations and Maintenance. The aviation system undergirds the entire national economy, benefitting not only those who fly, but also those who depend on the mails, the rapid transport of goods, or are protected by the military—in short, every American. For this reason, we feel that the aviation system is a national asset, rightfully funded in part from general revenues. But confronted with the political imperatives of drawing on the Trust Fund for O&M, our recommendation would be that no more than 50 percent of the FAA's O&M costs should be covered by Trust Fund expenditures, insofar as ADAP, F&E and R&D costs are fully funded by the Trust Fund.

Turning to the financing of the Trust Fund, AIA believes that the domestic passenger ticket tax—the principal source of Trust Fund revenues—should not exceed five percent until ticket tax revenues which have flowed into the General Fund since the expiration of the airport development program are restored to the Trust Fund, and the uncommitted balance therein falls below $1 billion. Once a reduction of this surplus has been accomplished, we would agree that consideration of an increase in ticket tax levels would be appropriate, provided that mandatory defederalization is not in effect—a point we will address further on. AIA also supports the simplification of the non-commercial users' fuel tax to a uniform tax on both aviation gas and jet fuel, as opposed to a two-tier system. Moreover, since it is evident that taxes paid on airplane weight and on fuel bear little or no relationship to the burden the airplane puts on the system, we support elimination of the registration fee and weight-determined use tax for turbine-powered airplanes. In addition, we feel that jet fuel used by aircraft manufacturers for test and crew training purposes should not be taxed.

The issue of mandatory defederalization has been a principal stumbling block to renewal of the Airport and Airway Development Act. The adjustment to airline deregulation during a period of overall economic recession, high interest rates and fuel costs has resulted in unprecedented instability and financial difficulties for a majority of U.S. commercial carriers. Imposing yet another major change upon airlines

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and airports—mandatory defederalization—is unwarranted at this time. To go this route would require the affected airports to raise revenues by imposing higher landing fees on financially weakened airlines, or varying passenger facility charges (i.e., head taxes). Major capital improvements at defederalized airports would have to be financed entirely through the sale of bonds in an unreceptive market with near-record high interest rates. AIA thus opposes mandatory defederalization and factors the continued prohibition on the use of head taxes.

We would also offer some preliminary comments on the FAA's National Airways System Plan (NASP). AIA has previously called for the development of an overall plan which would include a realistic set of solutions to the problems of congestion, complete with an implementation timetable, assignment of responsibilities, funding recommendations and a step-by-step program of execution. We endorse the objectives set out in the NASP as presented by the FAA Administrator, and we urge that implementation begin at the earliest possible date. However, we would emphasize that the scope and enormity of this undertaking will require continuous scrutiny and step-by-step validation. As we are currently reviewing the NASP in some detail, we would prefer to present a more thorough evaluation of the Plan at a later date.

We are encouraged by the recent efforts of Senate and House members to break the deadlock on reauthorization of the Airport and Airway Development Act. The importance of the aviation system to every American is irrefutable, and resolution of the ADAP impasse merits the urgent attention of the Congress.

STATEMENT OF JOHN C. EMERY, JR., CHAIRMAN AND CHIEF EXECUTIVE OFFICER, EMERY WORLDWIDE

Because Emery Worldwide is dependent on a safe and efficient air transportation system to serve the shipping public, it is anxious to assure that adequate funds are available to support capital expenditures to maintain such a system. Emery Worldwide also believes, however, that taxes supporting that system should be equitably assessed. Emery Worldwide generally supports the Administration's proposals to modernize the airport and airways system, but we ask that cargo transportation taxes to support that system be assessed at no greater rate than two percent.

Expenditures under the airport and airways program primarily benefit passengers, and benefits to cargo are a by-product of expenditures made to accommodate passenger traffic. Passenger flights are scheduled for prime daylight hours, when most passengers want to fly. This prime-time passenger demand places the principal strain on the airport and airways system during the morning and early evening. Passenger transportation thus causes both capital expenditures, which would not be required for air cargo transportation, and high operating costs at peak periods.

Air freight, however, is a night animal, and its prime time is in the middle of the night when there are very few flights operating. Cargo requires night-time operations so that parts and products can be shipped at the end of a working day and arrive at the destination airport before sunrise. Thus, air cargo principally uses the airport and airways system when demand is at its lowest level and, therefore, should be priced on an added-cost basis in determining an appropriate tax level.

Further, specific expenditures have been authorized from the aviation trust fund for passenger facilities at airports, but similar expenditures for cargo-only facilities have not been authorized. Emery believes that cargo taxes should not be imposed in any event until specific provisions are made for capital expenditures at airports required for the adequate servicing of cargo aircraft comparable to provisions now made for passenger operations. Revenue from cargo taxes should be awarded to those airports which are interested in accommodating cargo operations 24 hours a day. Airports imposing curfews, which prevent night-time cargo operations, should be ineligible for expenditures from any funds derived from cargo taxes. Cargo taxes have been imposed at some times in the past but not at other times. Given the lack of specific funding for cargo projects, the lack of added costs resulting from cargo operations at off-peak periods, and the large trust fund balances, cargo taxes should not now be imposed until specific funding beneficial to cargo is provided.

When cargo taxes have been imposed, they have always been lower than passenger taxes, as they should be in recognition of the different system costs incurred by cargo and passenger air transportation. Emery Worldwide believes the cargo tax should not exceed two percent. In no event should the cargo tax be assessed at a rate any higher than three percentage points below the rate assessed on passenger transportation. If passenger ticket taxes are decreased by 1 percent, cargo waybill taxes should also be decreased by 1 percent to retain the historic differential.

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Imposition of a waybill tax greater than 2 percent would unduly increase shipper costs and reduce carrier revenues at a time when neither shippers nor carriers can afford to bear such burdens. Increasing aviation cargo taxes while taxes on competing surface transportation modes are not being increased would create an incentive for shippers to divert air cargo shipments to surface transportation wherever possible. Indeed, as cargo taxes and other costs increase Emery itself will be forced to consider seriously the diversion of traffic from air to surface transportation modes, particularly in short and medium-haul markets where surface transportation modes can compete most effectively for overnight shipments. Such diversions by shippers would exacerbate the current airline financial crisis.

In a similar context, the President has announced that an increase in fuel taxes applicable to surface transportation should be rejected because the tax increase would not reduce the federal deficit and such a tax would be unduly burdensome if combined with an oil import tax. Thus, surface transportation modes competing with air cargo transportation will have no user tax increase. Clearly, air cargo carriers and shippers should not be forced to assume a tax burden which would hurt the competitive position of the air cargo industry and adversely affect its future growth. Such considerations prompted the Senate Commerce Committee to opt for a cargo tax lower than a passenger tax in 1970, and these considerations remain valid today.

Like the surface transportation modes, air cargo carriers cannot afford the combined impact of an oil import tax and increased excise taxes on air transportation. Emery strongly opposes the imposition of an oil import tax, which would seriously burden Emery's air and surface operations, but the combination of an oil import tax and an air cargo user tax would be devastating to an industry which is already coping with a recession and increasing costs.

Moreover, the proposed imposition of a five percent cargo tax is particularly inappropriate when the Aviation Trust Fund has an uncommitted balance of over $2 billion as of March 31, 1982, and projected expenditures during fiscal year 1983 could be fully funded without any cargo tax. Given the large balance remaining in the Aviation Trust Fund, imposition of air cargo taxes should await the end of the current recession and resulting improvements in the air cargo business.

Emery Worldwide believes that user taxes should be imposed only for expenditures which will benefit users. Unfortunately, the history of the Aviation Trust Fund demonstrates that trust fund balances are accumulated to reduce budget deficits, and provisions allocating user tax revenues to general treasury funds rather than terminating them entirely at the end of an established period produce the same inequitable result. Thus, Emery urges that trust fund balances not accumulate to exceed committed expenditures by more than a marginal amount and that taxes be entirely terminated at the end of an established period rather than paid into general funds.

STATEMENT OF CAPT. JOHN J. O'DONNELL, PRESIDENT, AIR LINE PILOTS ASSOCIATION

On behalf of the Air Line Pilots Association, which represents the professional interests of over 33,000 pilots who fly for 36 airlines, I appreciate the opportunity to submit for the record, the views of ALPA on the FAA's National Airspace Plan. Our comments are the result of a detailed analysis by a special task force made up of seven line pilots who specialize in air traffic control matters and from ALPA professional staff members.

The National Airspace System Plan published by the FAA on January 28, 1982, is a highly commendable effort by the Agency. The Plan consolidates in one document the equipment requirements, implementation goals and the support R&D efforts necessary for airspace system modernization. However, the Plan does not provide a fully adequate level of detail on (1) certain system descriptions. (2) human performance associated with increased levels of automations (3) assumed availability of certain critical system components and (4) independent backup systems. Examples of a lack of detail are found in the portions of the Plan related to Integrated Flow Management (IFM), Doppler Weather Radar System (NEXRAD), the Automated En Route Air Traffic Control Concept (AERA), Traffic Alert and Collision Avoidance System (TCAS), and Cockpit Display of Traffic Information (CDRI). For this reason, the Air Line Pilots Association cannot fully assess some technical and operational aspects of the Plan.

In that the U.S. National Airspace System must be a common system for all categories of users, i.e., air carrier, military and general aviation, problems must be anticipated because the Plan does not now reflect the full consensus of all civil and

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military interests. These various interests may well disrupt the implementation schedule; however, if FAA makes timely use of the National Airspace Review process, these potential conflicts may be overcome.

As presented, the Plan seems to imply that all efforts will flow smoothly in parallel even when the objective of one program is completely dependent on the results of other efforts. This is an ambitious as well as a necessary ingredient of the Plan if the proposed implementation dates are to be met. However, this is a challenging management task—one which FAA may not be capable of undertaking.

To assure successful implementation, a total systems management approach should be employed by FAA. In a total "systems management approach," computer hardware and software would be the responsibility of the Sector Suite Contractor and, also, implementation for all aspects of the Plan would be the responsibility of a single Executive Authority. In the past, for various reasons—not all within the control of the Administrator (elections, retirements, pay scales, etc.)—the FAA has not been able to maintain the management resources necessary to direct large scale, complex programs from conceptual stages through full implementation. The history of the Microwave Landing System (MLS) and Collision Avoidance System (CAS) programs illustrate this point. For this reason FAA should carefully consider assigning overall program management responsibility to a single contractor with support teams of FAA personnel from ATS, ATF, AS, R&D, OSEM, etc.

Let me turn now to some of the specific provisions of the Plan and comment in more detail on their implementation to solve the problems that we see for the air traffic control system in the years ahead.

CURRENT SYSTEM AND NEAR TERM (TO 1985)

Unfortunately, the National Airspace System 20 Year Plan does not clarify FAA plans regarding the en route computer system. During the latter part of calendar year 1980, a Senate investigations staff conducted an examination of FAA's en route system. As a result of this study, a recommendation was made in part that "No Research, Engineering and Development funding for fiscal year 1981 be expended for the proposed replacement system pending completion of a comprehensive study and analysis by FAA to determine . . . interim actions and funding necessary to correct identified deficiencies and enhance the current system in order to extend its operational life during the replacement system acquisition cycle." Subsequent testimony provided by the FAA in June 1981 addressed improved management of the enroute computer system; however, the specific results of the directed study and analysis have not been announced. What were the results? Has action been taken to ensure the availability of hardware for the planned near term enhancements? The NAS Plan should provide this information and indicate whether the current 9020 system will be satisfactory during the transition period (1982-1985) and until a new host computer is available.

ATC FACILITY CONSOLIDATIONS

Consolidation of certain ATC facilities and functions can obviously improve operational efficiency and reduce personal requirements. This process started with the elimination of some ARTCC sectors as a result of the PATCO strike. Still, consolidation—at some point—can compromise the ability of the system to provide an adequate level of service. The needs of all system users must be addressed in implementing this phase of modernization. The controller seated in the "sector suite" must not be swamped with a myriad of data and responsibilities beyond his abilities. Human factors specialists must work with the primary users in reaching consolidation decisions.

Payoff in the consolidation effort will only be realized if the AERA automation concept can be simultaneously implemented in an operationally acceptable form.

WEATHER DISSEMINATION (NEXRAD)

The Plan is optimistic about the Agency's ability to improve drastically dissemination of weather information via the ground system but does not describe methods by which real-time weather will be provided to pilots in flight. There must be a strong commitment by the FAA to provide real-time information to pilots in flight directly or at the pilot's request. Data link transmission of sequence reports alone will not satisfy this requirement. In this regard, development of a new weather radar is essential. NEXRAD should be a priority item, considering the age, operational capabilities and the maintainability of existing weather radars. Because over fifty percent of all aviation accidents are to some extent weather related, the need is

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unquestionable. Unfortunately, NEXRAD is a good example of a major program within the Plan which is relatively unknown to the aviation community. The FAA should consult with the users on the operational capabilities needed in the new weather radar equipment to ensure that the service needed is provided in a reasonable time and is not delayed because of research and development directed towards exotic features which are not cost effective and are not required.

The Plan suggests the eventual total automation of weather observations. While efforts to reduce manpower and labor costs are appreciated, real world and safety requirements must be recognized. The initiative to provide limited automated weather observations at some airports not now having such data available are appreciated; however, the capabilities have not yet been demonstrated which would allow automated observations to replace full time human observers at all airports. The industry investment in state-of-the-art avionics and landing systems could be compromised if the lack of real-time weather observation or the reliability of these observations became a pacing factor. Until such capabilities have been demonstrated, automated observations as the sole source of weather data at any busy air carrier airport should not be planned.

DEMANDS ON THE SYSTEM

FAA forecasts of aviation activity and the resultant demand on airports, even if only roughly accurate, indicate that the current airport/airway system cannot accommodate expected growth without delays of "30 minutes per operation" during peak hours at the Nation's major airports.

Consequently, it appears that the weakest point in the Plan is the program for increasing airport capacity. The Plan implies that the current capacity limitations at many hub airports are limitations anticipated for the foreseeable future. The Plan does indicate that a limited growth can be achieved through improved procedures and other related actions. This bandaid approach cannot substitute for aggressive, positive actions to improve airports dramatically over the next 20 years and to increase substantially the capacities at major airports. The FAA system modernization program must include a vigorous effort directed at the airport capacity problem. Otherwise, all the planned improvements will only result in air carriers sitting on the ground waiting for a departure time from the new system or holding "in style" while waiting for an approach time. Resolving this problem is a major task which must be addressed. The start should be a firm commitment to seek major capacity improvements. For example, to reduce landing aircraft separation, FAA should work with NASA to find ways to reduce wake vortices, not just determine where they are. The joint use of military airports in close proximity to busy population centers should be aggressively pursued as well as a program to provide many more general aviation reliever airports. In brief, the Plan should contain positive commitments toward resolving the airport capacity problems. Recognizing the jurisdictions involved, the solution to this problem will require leadership from a high executive level within the Administration.

SYSTEM CAPACITY (REDUCED SEPARATION)

Reduction in aircraft separation standards can occur only through introduction of new technology, improved accuracy of equipment, improved operating procedures and reduction of wake vortex. Specifically, this Association has for many years urged development of a means to provide a Cockpit Display of Traffic Information (CDTI). This device could relieve the controller of some workload inherent in separating aircraft and could, if accurate, permit reduction in separation standards as well as reducing "control loop" time. This does not imply that pilots desire or would accept full responsibility for aircraft separation. The primary separation responsibility is a function of the ground based system, but a Cockpit Display of Traffic Information would allow pilots to accept limited responsibilities in Instrument Flight Conditions (IFR). The FAA Plan briefly acknowledges this without emphasis. The development and use of CDTI should be given a high priority in the Plan.

AUTOMATED EN ROUTE AIR TRAFFIC CONTROL (AERA)

The basic objectives of AERA—to reduce operating costs for both the users and the FAA, to accommodate a growth in IFR traffic at minimal cost, and to increase the overall efficiency and safety of the system—can certainly be endorsed. In fact, AERA represents the first serious attempt by the FAA to put a complete system together using the advanced computer technologies available to both the ground and airborne systems. However, the AERA concept, as it now exists, appears to be total-

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ly "ground oriented" in that it proposes to develop on the ground optimum routings and flight profiles, generate clearances, develop severe weather avoidance profiles, and issue instructions necessary to prevent traffic conflict, all without providing the pilot options to evaluate based on all operational factors known to him. This Plan orientation is not appropriate. The pilot must be in the evaluation and decision "loop."

Additionally, in an environment totally dependent on data link for communications between the pilot and ATC system, such as AERA, it is absolutely essential that the aircrew have the capability to validate control instructions and to retain a limited picture of the traffic situation within a reasonable distance of his flight path. This capability could be provided through the Cockpit Display of Traffic Information. With implementation of AERA and dependence on automation in the ATC system, it becomes absolutely vital that an independent backup airborne collision avoidance system be provided and the Cockpit Display of Traffic Information becomes an essential backup element to AERA to obtain pilot acceptability and confidence in the system.

One basic assumption of the Plan is that "a very high level of midair collision protection, including a backup ground-independent airborne separation device, called TCAS, will be available." While the Plan describes a positive implementation strategy which mandates Mode S transponders, no such provisions are described for TCAS. As described by FAA, "TCAS II will be a full-scale collision avoidance system capable of operating in high-density airspace and providing not only collision avoidance information, but also a direction-to-look for the pilot to spot conflicting aircraft." A system which meets these basic requirements is essential to the success of the NAS Plan; therefore, current CAS development efforts should concentrate on providing such a system. Accordingly, the requirement to carry an FAA described TCAS II should be mandated for air carriers to insure that the critical assumption made concerning the availability of this system in the NAS Plan is actually realized.

SUMMARY

In summary, the National Airspace System Plan is an excellent plan which reflects extraordinary vision and reasonable goals. We strongly urge further considerations and Plan refinements concerning the following: (1) TCAS implementation; (2) Cockpit Display of Traffic Information; (3) Implementation of higher levels of automation; and (4) Airport capacity problems.

Thank you again for giving ALPA this opportunity to present our views on this important aviation matter.

Statement of Clifton F. von Kann, President, National Aeronautic Association

Madam Chairman and members of the subcommittee, on behalf of the more than 250,000 members of the National Aeronautic Association (NAA), its chapters, divisions and affiliates, I appreciate the opportunity to comment on the proposed legislation for airway and airport modernization and development.

This matter has absorbed much of the time and energy of you, Madam Chairman, of Senator Cannon, and of key members of this and other responsible committees. Because the subject is complex, any less energetic effort would probably have failed. The fact that we are looking at a program which cannot and will not fail is undoubtedly due to the wisdom and resolve which you and Senator Cannon have displayed.

BACKGROUND

Last month I submitted to this and other interested Committees of the Congress a statement summarizing NAA's views on airway and airport improvement—and its effect on U.S. aerospace leadership. This statement still applies, and I enclose a copy as part of the record.

For purposes of this hearing I will summarize the pertinent points and comment briefly on current legislative proposals.

I. The airway and airport system in the United States is critical to U.S. aviation leadership

This point is beyond question. A safe and adequate airway and airport infrastructure is vital to an efficient air transport system, prosperous airlines under private

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management, new aircraft orders and successful competition in world aircraft markets by the U.S. aerospace industry.

II. The existing system is deteriorating in its ability to meet demand, in efficiency, in cost, and becoming more labor intensive

This point is also beyond question. It has been recognized for many years; it is well documented in the new National Airspace System Plan; and no one has attempted to debate it.

III. If the existing system is not fixed—and promptly—the results will be disastrous for the national air transport system, the economy and jobs, the aerospace industry and our national security

This point is a collary of Point I. It also recognizes that the aerospace industry is a critical element of the vital defense mobilization base. If this base is to be restored to a point where it can support national defense requirements, the aerospace industry must be strong.

IV. Whether by necessity or good luck, a combination of circumstances has created an unusual opportunity to fix the existing system

We have in office an able FAA Administrator with the engineering, flying and management know-how to do the job.

Administrator Helms has produced the first genuine system plan for modernizing the airway system. This plan, supplemented by an ADAP which will provide the necessary airport development, offers the only practical way to avoid the disasters which face us if we do not act promply.

The airway and airport modernization can be user financed. The airlines are willing to pay about 90 percent of the costs. Differences among other user groups do not add up to any material effect on the overall financing picture.

In short, everything is in place to move ahead and avoid disaster.

V. The opportunity is affecting one

The time available to fix the system is diminishing.

Administrator Helms is not planning on a long stay in Washington. We must capitalize on his talents while he is available.

The airline willingness to pay 90 percent of the cost could change.

In short, we cannot count on coming back next year to do the job. This is the moment to seize the opportunity.

A GROWING CONSENSUS

In view of these points it is gratifying to see a consensus developing. The need for a multi-year program is widely recognized. I would still like to see a 5 year authorization. The approach to defederalization appears to be moving back to the original progressive concept. Defederalization is something like the flat income tax—a refreshing idea that is hard to put in effect. I believe that the voluntary approach, freed of the controversial head tax albatross, creates the greatest opportunity for constructive and innovative experimentation in defederalization by both airlines and airport operators. The general aviation fuel tax seems to be heading toward the mid-range of the various proposals—something in the 12 cents per gallon area. The O&M contribution appears to be heading toward some number between 50 percent and 75 percent. Again I must point out that this number is like a one-way ratchet—it can be raised but never lowered. Therefore, until the costs of the new airspace system plan are better defined, it might be wiser to start at the lower rather than the higher number. However, in the end this point must be resolved by the Congress.

Finally, we have had some technical second guessing on the National Airspace System Plan. Here again I believe that consensus is forming to the effect that this is the only plan developed by responsible and competent authority—authority with the dual responsibility for public safety and public cost. Obviously, the plan will need modification as we proceed with implementation—no one has claimed otherwise. At the same time there is no way in the world to come up with a better planning base—and one which merits the confidence of the Congress and the public.

Madam Chairman, again I emphasize that the public and the aviation community own you, Senator Cannon and your associates a debt of gratitude for handling a very complex problem so capably. The nation needs such responsible public service and should thank you for this outstanding example.

Attachment.

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NAA'S VIEWS ON AIRWAY AND AIRPORT IMPROVEMENT—AND ITS EFFECT ON U.S. AEROSPACE LEADERSHIP

The National Aeronautic Association has as a prime goal the maintenance of United States leadership in air and space. We believe that such leadership is essential to U.S. national security, economic progress and adequate employment levels. NAA is not obligated to any given segment of aviation; rather, we take a broad approach to how aviation can best serve the needs of the Nation and the public. We have no other criteria.

Among the issues which materially affect the future of U.S. aerospace leadership is the requirement for an airway and airport system that is safe, economical and adequate to meet public demand. The Administration, the Congress and the various segments of the aviation community are now engaged in a public debate on how such an airway and airport system can be achieved and financed. This debate is of major importance because an adequate airway and airport infrastructure is vital to an effcient air transport system, prosperous airlines under private management, new aircraft orders, and successful competition in world aircraft markets by the U.S. aerospace industry.

For many years a long range plan for modernizing the airway and airport system was lacking. This caused obsolescence in the existing system with attendant loss of efficiency, increased maintenance costs, escalating delay penalties and the prospect of major system breakdowns within the next years. Recently, however, the FAA Administrator produced a well thought out system plan for transitioning from the present system to a modernized system which would utilize available technology, meet public demand and reduce system costs by tens of billions of dollars over the coming 20 years.

This plan has provided the U.S. with a great opportunity. If there were agreement among the Administration, the key Congressional committees and the various aviation segments, financing for the new system could be established and implementation could be initiated in time to avoid the major breakdowns which are only are only a few years away.

Unfortunately such agreement has not as yet been achieved. This lack of agreement creates a threat that nothing will be done and that a vital foundation of U.S. aerospace leadership will suffer further decay.

In this situation it is incumbent upon the National Aeronautic Association as a group without parochial interests to state its views on what should be done in the best interests of the Nation and the public. It is our earnest hope that this statement will lead to the consensus which is so badly needed to seize the opportunity at hand.

THE NATIONAL AIRSPACE SYSTEM PLAN

The National Airspace System Plan is the most comprehensive plan of its kind ever developed. More important, it is the work of the duly appointed official responsible for the safe and efficient use of the national airspace. Finally the unique qualifications of Administrator J. Lynn Helms, and the fact that he personally served as project leader guarantees that the plan is viable.

This does not mean that the plan is inviolate. No 20 year plan can be, and midcourse corrections are always necessary in programs of this type. However, the thrust of the plan has been widely endorsed; and no other can give the public and the Congress comparable assurance of achieving the objective.

Unfortunately the plan has already been subjected to some second guessing by self-styled "experts". An example of this is the recent statement of the Office of Techonolgy Assessment which is critical of the FAA Plan without, apparently, understanding the Plan itself. Such irresponsible action occurs all too frequently. It must be remembered however, that none of these "experts" has FAA's responsibility for safe and efficient operation of the airways, and none has Administrator Helms' qualifications. Therefore, these suggestions and criticisms cannot be permitted to delay long needed action proposed by competent and responsible authority.

On one point, however, there is universal agreement. The modernization of the airspace must be accompanied by an airport program which maintains a phased build up of airport as well as airway capacity. Special emphasis must be given reliever airports and heliports in order to maximize use of the air carrier type facilities.

NAA position: The FAA National Airspace System Plan, accompanied by a phased build up of airport capacity, is the best solution to the problem of airway and airport capacity and should be implemented.

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FINANCING AND IMPLEMENTING THE NEW PROGRAM

Implementation of the National Airspace System Plan is estimated to cost about $10 billion during the next decade. The bulk of this money (80–90%) will be raised by increasing the airline ticket and waybill taxes. These increases have been agreed to by the airlines. In addition the airlines are prepared to accept these taxes at a sufficiently high level to fund a renewed airport development aid program at roughly the levels previously agreed upon by airport operators. The airlines' acceptance of this commitment, however, is contingent upon abandonment by the government of airport defederalization and head tax proposals. Most aviation groups support the airline position.

Thus the main components of a systems plan and a financing plan are in place or could be put in place. Unfortunately, a number of less important but still unresolved issues are slowing down the legislation needed to implement the program. These issues are: The need for a multi-year authorization. Proposals for voluntary airport defederalization accompanied by head taxes. The level of the general aviation fuel tax. The percentage of FAA Operations and Maintenance to be funded from user contributions. Concerns about cross-subsidy. Differing views of the two Houses of Congress.

The NAA positions on these issues are discussed below.

NAA POSITIONS

On Multi-Year Authorizations: The aviation community is in complete agreement that the airway and airport program must be launched as a multi-year program—five years as a minimum. The rationale for this view is that no long range program can survive the annual budgetary tug-of-war and that programming year by year will discourage commitment and investment by those who are expected to be participants in the program. The interested committees of the Congress seem to be sympathetic to a multi-year approach.

On the other side, the OMB, as a matter of principle, opposes authorizations for so-called out-year expenditures and therefore opposes the multi-year approach.

NAA position: The arguments supporting the multi-year approach are vaild. The history of the Airport and Airway Development Program demonstrates that a year by year approach would have a high probability of killing this vitally important program. On the other hand multi-year authorization would not prevent OMB from doing its job. Therefore, the multi-year approach should be adopted, and initial authorization should cover the next five fiscal years.

On Airport Defederalization and Head Taxes: Defederalization of the major airports was originally proposed on the theory that the airlines and major airport operators could negotiate as equals. This concept was rejected by the airport operators who insisted that a guaranteed source of funding (i.e. head taxes) must be part of the defederalization scheme. Thus the concept of defederalization evolved into the present proposal for voluntary defederalization with head taxes authorized in those cases.

The airlines and most elements of the aviation community oppose defederalization and head taxes. They consider that its implementation would create numerous problems, many of which cannot even be foreseen. Relations between defederalized and non-defederalized airports would certainly be complicated, and tax collection procedures would be administrative nighmares. Nor is it clear how many airports really want defederalization.

The airlines consider that since they, their passengers and their shippers will be footing the bulk of the bill for airport and airway modernization (and since some federal support will be required for airports in any event), they should not be subjected to the additional uncertainties and costs of head taxes for those airports which choose defederalization. They have therefore proposed a sufficiently large ADAP program, financed by the users of the system, to cover all user financed airport development outlays.

The two houses of Congress differ on defederalization, and it is unlikely that defederalization legislation can make its way through the legislative process.

NAA position: Defederalization is no longer the progressive concept which it originally was. In its present form it presents numerous problems which should be resolved before it is seriously considered. It is unlikely to be accepted by the Congress. The airport operators are recipients, not providers, of funds; their position is one of dictating how the funds shall be provided to them. The airline proposal would provide the required airport development funding without the uncertainties and risks of defederalization. It should therefore be accepted.

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On the General Aviation Fuel Tax: The various general aviation groups have different views on this subject. These in turn differ from the Administration proposals. The principal point to remember is that the difference between the high and low fuel tax proposals are not sufficiently significant to affect the success of the program. Therefore the issue is not a significant one, and it should not be regarded as such.

NAA position.: The middle of the road proposal appears to be for a non-escalating tax of 12 cents per gallon for general aviation gasoline and 14 cents per gallon for general aviation jet fuel. This appears to be a reasonable compromise.

On FAA Operations and Maintenance: This long standing debate has dragged on because of the inability of past Congress and Administrations to resolve the public benefit issue. Present proposals range from a 25 percent to an 85 percent user contribution, with the larger number placing a very heavy part of the modernization burden on the airline passengers and shippers. All proposals set the OMB contribution of the users considerably above the levels which obtained under the Airport and Airway Development Program of the seventies.

NAA position: Set the O&M contribution at 50 percent for the first year of the program and reconsider the matter when the actual costs of the modernization program become more firm.

On the Cross Subsidy Issue: This is a non-issue which puts economic theory against practical necessity. There is no practical way to eliminate some amount of cross subsidy in the airway and airport system. Therefore, its existence is not a valid criticism of current financing plans. In the airline proposal it is noteworthy that the providers of the so-called subsidy are not objecting to its existence as long, presumably, as the subsidy is not excessive.

NAA position: Disregard the subsidy issue.

On the Differing Views of the Houses of Congress: While these must finally be resolved in Conference, and while most involved members of the House and Senate recognize the urgent need to get the modernization program funded and under way, it is nevertheless a fact that procedures and protocol "on the Hill" make it extremely difficult for the Congress to resolve present differences. Yet the Congress may be the only player in the drama that can bring matters to a conclusion that projects U.S. aerospace leadership and the public interest.

NAA position: The appropriate congressional committee chairman should collaborate and exert every effort to bring this program to Conference and final enactment during the current session.

CONCLUSIONS

The most serious roadblock is the impasse between the airlines and airport operators on defederalization and head taxes. Since the airlines and their passengers and shippers will be providing nearly all the funds for the program, since defederalization and head taxes will create numerous problems, and since it is unlikely that a defederalization bill can be passed by both Houses of Congress, NAA supports the airline position as the only way to move forward and avoid further delay in providing needed system capacity. Most aviation groups support the airline position.

What is needed now is for all parties concerned to recognize that implementation of the National System Plan with a substantial airport development program is vital to U.S. aerospace leadership and that without such a program our airport system will soon become inefficient and excessively expensive.

All parties must recognize that no one can have everything his way but that if first priority is given to the national interest, everyone will gain in the long run. If parochial interests receive first priority, everyone will lose.

STATEMENT OF HOWARD W. WILLOUGHBY, DIRECTOR OF AVIATION, CITY OF PHILADELPHIA

Madam Chairman and members of the committee, I am Howard W. Willoughby. As the Director of Aviation for the City of Philadelphia, I would like to thank you for this opportunity to present the City's views on the Airport Development Aid Program ("ADAP") and the new Committee proposal for the Program's reauthorization.

As I understand the new Committee proposal, it contains the following elements: (1) Authorization of $690 million in fiscal year 1983, with a 15 percent increase in each of the subsequent years; (2) Authorization through fiscal year 1987; (3) Voluntary "defederalization" with some regulatory relief for airports withdrawing from

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the Program; and (4) No authority for a Passenger Facility Charge ("PFC") for defederalized airports.

Philadelphia applauds the Committee for its decision to withdraw the proposal for mandatory "defederalization" and to substitute a proposal which authorizes continued ADAP eligibility for all airports, large and small. Philadelphia could strongly support the new Committee proposal but for one important concern.

Our concern is over the lack of assurance of funding at the level of the Committee's proposal throughout the life of the Program. The higher authorization levels in the new Committee proposal are critical to a highly successful and beneficial Program which can keep pace with the needs of the nation's airports. The higher authorization levels, however, are meaningless if not fully funded every year. Therefore, Philadelphia urges the Committee to include in its bill some mechanism to ensure funding at the authorization level. If this assurance cannot be provided, we would then urge that airports be given the right to withdraw from the Program and to impose an airport user charge.

I would now like to discuss our views in more detail.

I. THE ADAP PROGRAM HAS BEEN VERY SUCCESSFUL AND SHOULD BE CONTINUED AT A LEVEL OF AT LEAST $690 MILLION IN FISCAL YEAR 1983 AND AT SIGNIFICANTLY INCREASED LEVELS IN SUBSEQUENT YEARS

The City of Philadelphia owns and administers Philadelphia International Airport and Northeast Philadelphia Airport, a reliever airport. Philadelphia International plays a key role in the overcrowded northeast corridor. With the deregulation of the airline industry, Philadelphia has become one of the country's busiest commuter connecting hubs. With the assistance of over $42 million in ADAP funds between 1970 and 1980, Philadelphia has been able to expand and modernize its facilities to keep pace with the expansion of the air transportation industry. Thus, we have clearly benefitted from ADAP, and would like to see the Program continued.

Philadelphia International Airport currently has in various planning stages some $75 million worth of ADAP eligible projects. These include a much needed new commuter runway—precisely the type of project the Office of Technology Assessment recognized as an effective and feasible means of dealing with airport capacity and congestion problems in its Report on the Airport and Air Traffic Control System, dated January 1982. Other ADAP eligible projects which are essential for Philadelphia International to keep pace with air traffic demand include a cargo terminal complex, storage facility for airport equipment, new aprons and taxiways, runway safety extensions, and an airfield drainage system. In addition, Northeast Philadelphia Airport needs $2.25 million to resurface and regroove its 7,000 foot primary runway.

When ADAP expired in 1980, it was funded at a level of $600 million. Only $450 million in ADAP funds were made available in fiscal year 1981. Although a $450 million ceiling on ADAP expenditures was approved for fiscal year 1982, there has been no authorization as yet and, thus, no ADAP assistance has been available in the current fiscal year. In light of the dramatically reduced funding in 1981, the lack of assistance this year, and the dramatic increases in capital construction costs in recent years, funding at the level of at least $690 million in fiscal year 1983 with significant increases in subsequent years is imperative if the country's airports are to meet their capital improvement needs.

Although the City of Philadelphia believes that a funding level of $750 million is necessary to meet the minimum capital needs of airports, we recognize that achieving such a level in fiscal year 1983 would be difficult. We therefore support, as a compromise, the Committee proposal to authorize and appropriate ADAP expenditures at a minimum level of $690 million in fiscal year 1983 and to increase that level by 15 percent in each of the subsequent years of the authorization period.

Furthermore, we recommend that the ADAP authorization for fiscal year 1982 be enacted as soon as possible in order to permit the productive expenditure of ADAP funds this year.

II. LONG-TERM AUTHORIZATION IS CRUCIAL FOR LONG-TERM PLANNING

Philadelphia can live with the five-year authorization period in the new Committee proposal. We would prefer a ten-year authorization period, but five years is certainly better than the totally unacceptable two-year period currently contained in the House bill.

We need long-term certainty because the capital project planning process in the City of Philadelphia, as in most cities, takes, on the average, five to six years. Philadelphia currently has on the drawing board some $75 million worth of projects that

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would be ADAP eligible. There is currently no assurance, however, that ADAP will in fact be available when these projects go from the drawing board to the construction stage. Nor is there any assurance that once Philadelphia begins construction on a multi-phase project, that ADAP would be available to complete the entire project. These uncertainties, if continued, make it extremely difficult for Philadelphia International Airport to continue to rely on ADAP to support its needed capital improvement program, which requires approximately $7.5 million per year.

III. PHILADELPHIA SUPPORTS THE REJECTION OF MANDATORY DEFEDERALIZATION

Philadelphia strongly supports the Chairman and the Committee in the rejection of the mandatory defederalization proposal. We have consistently opposed mandatory defederalization of the nation's largest airports because it assumes the ability of all defunded airports to find alternative revenue sources through a passenger facility charge or other means.

In addition, Philadelphia has opposed mandatory defederalization because eliminating ADAP funds for the busiest airports is unfair. The targets of the defederalization proposal have been the largest contributors to the Airport and Airway Trust Fund ("Trust Fund"). Between 1976 and 1980, over 70 percent of the Trust Fund surplus was obtained from large and medium hub airports. Whatever the ticket tax, the large airports will continue to generate most of the Trust Fund revenues. Accordingly, Philadelphia supports the continuation of ADAP for all airports, large or small, who want and need it.

IV. PHILADELPHIA SUPPORTS THE OPTION OF VOLUNTARY DEFEDERALIZATION FOR THOSE AIRPORTS DESIRING TO WITHDRAW FROM ADAP

Philadelphia has always supported a long-term, adequately funded Program. It also supports the right of airports to voluntarily withdraw from the program and to be released from the extensive federal regulations imposed by ADAP. Currently, federal rules, regulations and requirements govern almost every facet of airport operations. For example, our latest ADAP grant agreement contains some 42 separate assurances covering 16 pages. Certainly, extensive regulation in the safety area is warranted, and some additional regulation might be justifiably tied to ADAP assistance. Philadelphia hopes, however, that those airports which voluntarily withdraw from ADAP are not merely defunded, but actually defederalized. The elimination of ADAP assistance should return control to local airports unencumbered by the existing, burdensome federal regulatory framework.

V. ADEQUATE FUNDING AS WELL AS HIGHER AUTHORIZATION LEVELS MUST BE ASSURED

Philadelphia endorses the new Committee proposal to increase the authorization levels. We are, however, extremely concerned about the uncertainty of the annual funding process. Our concern stems, of course, from the history of ADAP over the past several years, in which funding has been inadequate or nonexistent.

Philadelphia urges the Committee to make every effort to assure funding at full authorization levels. We suggest that the authorization bill include incentives for the Administration to actively support, and for the Congress to approve, full funding for ADAP. Such provisions have been included by Congress in other legislation and they are both appropriate and necessary here.

VI. IF ADEQUATE FUNDING LEVELS ARE NOT ASSURED IN THE AUTHORIZATION BILL, THE RIGHT TO IMPOSE AN AIRPORT USER CHARGE MUST BE PROVIDED

If no mechanism is included in the bill to assure full annual funding and full availability of such funding, we feel strongly that a provision be included permitting airports to withdraw from ADAP and to impose an airport user charge if the actual funding level falls below the authorization level.

If sufficient ADAP funds are not available for funding Philadelphia's capital projects, we believe that such funds can be generated through an airport user charge. Philadelphia's leases with domestic air carriers already allow the imposition of such a charge if it becomes permitted by federal law. Philadelphia's agreements with international carriers expire this year and will be renegotiated to include language, similar to that contained in the domestic carrier agreements, that would also permit the imposition of a user charge on those carriers.

If low funding of ADAP triggers the right to impose an airport user charge, there should be a corresponding reduction in the passenger ticket tax. Without some reduction in this tax, defederalized airports imposing user charges would be placed at a competitive disadvantage to airports continuing in the ADAP Program. In its

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effort to promote a truly national air transportation system, the federal government should not support some airports at the expense of others.

VII. IF AN AIRPORT USER CHARGE IS NECESSARY, THE AMOUNT AND ADMINISTRATIVE SYSTEM SHOULD BE LOCALLY DETERMINED

The level of any airport user charge is best determined locally, subject to continued federal guidelines on the appropriate uses of the resulting revenues. If Congress sets a ceiling on the charge, there should be a provision for periodic increases in that ceiling to account for inflation.

Based on Philadelphia International Airport's capital construction plans over the next five to six years, we believe that a charge in 1982 dollars of approximately $1.50 per enplaned passenger, and the equivalent thereof for general aviation and cargo users, would be sufficient to finance the approximately $7.5 million per year we project we will need.

We believe that any charge that airports would be permitted to impose should not be limited to passengers but should extend to all airport users; hence, the concept of an "airport user charge." Since the benefits of airport capital projects generally extend, directly or indirectly, to all airport users, not just to passengers, we believe that all should share in the cost of the benefits under a formula that would be equitable to all.

We have heard arguments that the collection of such a charge would be administratively difficult, and we agree that the administrative burdens must be minimized. This can be accomplished by treating and collecting the user charge like landing fees, airport security charges and other costs of airport operations. It would simply be a cost of doing business, collected directly from the carriers on a periodic basis. As with landing fees, security charges, or space rental, the airport user charge would not be itemized on an airline ticket, and there would be no need for any new or separate administrative mechanism. An airport would, in the case of passengers, bill a carrier in an amount equal to the number of its enplaned passengers from that airport for a given time period multiplied by the per passenger airport user charge. For general aviation and all-cargo carriers, a different but equally equitable formula would be used. Such a collection mechanism has the virtue of simplicity and a direct relationship to airport use. Finally, since the carriers would be paying the charge, their self-interest and the airport's interest in not unduly burdening its carriers would represent a formidable incentive for airports to undertake only necessary capital projects and to execute them efficiently.

VIII. OTHER AIRPORT FINANCING MECHANISMS

As our testimony makes amply clear, Philadelphia's primary concern is assuring adequate long-term funding for its capital needs. Our first choice is ADAP, fully funded at the levels established in the new Committee proposal. If such funding levels cannot be assured, however, it is essential that alternative mechanisms be made available by Congress to enable airports like ours to provide for their needs. We have proposed the alternative of an airport user charge which is triggered by low ADAP funding. We are, however, open to exploring other alternative funding mechanisms. For example, we understand that Senator Cannon recently proposed a funding mechanism for defederalized airports in which two percent of the "ticket tax" would be available to airports and airlines to replace the loss of ADAP funds. Under this proposal, airports and airlines would have to mutually agree on the division and use of the funds. Philadelphia finds this proposal interesting and is prepared to explore it in greater depth if it becomes a viable legislative option.

Finally, while I recognize that airport revenue bonds and other traditional airport financing vehicles are largely outside of this Committee's jurisdiction, I would like the Committee to be aware that the Administration has proposed to severely restrict the availability of revenue bond financing for airport facilities. It is important that these financing vehicles remain available to finance airport development, lest airport operators be forced to come back to you a year or two from n seeking much higher ADAP ceilings than are now under consideration, because other financing vehicles have become unattractive in the capital markets, or hav become completely unavailable due to changes in federal laws and regulations.

IX. CONCLUSION

In summary, the City of Philadelphia supports the continuation of the ADAP program for all airports, funded at an annual minimum level of $690 million in fiscal year 1983 and increased by 15 percent each year thereafter. We support a long-term

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ADAP authorization—five years as an absolute minimum. We oppose mandatory defederalization but support voluntary defederalization coupled with appropriate funding mechanisms and regulatory relief for withdrawing airports.

The assurance of funding at the authorized level is crucial. If such assurance cannot be made a part of the authorizing legislation, we urge the right of airports to impose a locally established airport user charge when the funding level falls below the authorized level.

Madam Chairman and Member of the Committee, I would like to thank you again for this opportunity to present the City's views on this issue, and would be happy to answer your questions or to elaborate on any of our recommendations either here or for the record.

STATE OF NEBRASKA,
DEPARTMENT OF AERONAUTICS,
Lincoln, Nebr., April 9, 1982.

Mr. JOE MASON,
Executive Vice President, NASAO,
Washington, D.C.

DEAR JOE: The cessation of the ADAP program on 9-30-81 left many of our communities holding the "sack." A sack filled with program allowed 10 percent overrun cost and the FAA saying, "We can't pay you until new authorization is provided." The response of Bill Shea with respect to this problem is more than a concern. Many of our Nebraska communities are forced to withhold payment because they simply do not have the money to meet the obligations that FAA allowed them to incur.

The following is a list of Nebraska communities directly affected and there is no doubt that this is a cross representation of many of the other States. Our Congressional delegation is aware of this predicament and any assistance you can provide in creating direct and short enabling legislation is appreciated.

Audited projects:	
Columbus-03	$15,324.03
Lincoln-08	23,249.91
Pawnee City-01	12,000.00
Seward-01	43,800.00
Total	94,373.94
Pending audits:	
Alliance-06	7,501.00
Hebron-01	55,860.00
North Platte-06	131,880.00
Total	195,241.00
Final costs estimated:	
Kearney-06	32,410.00
Norfolk-04	55,857.00
Total	88,267.00
Grand total Nebraska	377,881.94

Sincerely,

WAYNE C. ANDERSEN,
Director.

FLYING TIGER LINE,
Los Angeles, Calif., May 21, 1982.

Hon. NANCY L. KASSEBAUM,
Chairman, Aviation Subcommittee, Committee on Commerce, Science, and Transportation, U.S. Senate, Washington, D.C.

DEAR MADAM CHAIRMAN: I have just learned that the Aviation Subcommittee will be considering the authorization of the Airport and Airway Development Program on May 24, 1982. I regret that I am unable to seek permission to appear personally

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before the Committee. I respectfully request that you consider the following in your deliberations and accept this letter as my statement for the record.

I am the President of Flying Tigers, the world's largest all-cargo airline. In revenue ton miles, we surpass all other domestic and international carriers that carry cargo either exclusively or as an adjunct to their passenger operations. As such, we are particularly sensitive to the general health of the nation's economy and its consequent financial impact on the nation's domestic air freight transportation industry.

Despite the well known poor health of the nation's economy and air transportation system, manufacturers are now faced with a proposed 5 percent increase in the cost of shipping by air. The airbill tax is separately stated and thus this increase falls squarely on the shoulders of our customers.

Moreover, the 5 percent airbill tax serves little purpose. The ADAP Trust Fund presently has a surplus which comes close to $3 billion. I understand that at the end of this year, the surplus would still exceed $2 billion. The revenue gain or loss arising from airbill taxes is nothing when compared to the other ADAP taxes. One percent of the passenger ticket tax produces almost $300 million per year; whereas one percent of the airbill tax produces less than 1/10th of that amount. Under the old law, passenger carriers collected an 8 percent ticket tax for the ADAP Trust Fund and cargo carriers collected a 5 percent airbill tax for the fund. With the expiration of that law on October 1, 1980, the tax levels reverted to the residual levels: passenger ticket tax 5 percent, airbill tax 0 percent. Accordingly, any law which reinstates the cargo tax at 5 percent can be said both to impose a new tax on the shipping public and to reinstate the old tax without reduction. Any law which would reinstate the airbill tax at the same level as the passenger ticket tax (as has been suggested by the House Ways and Means Committee) can be said to ignore the historic relationship between the levels of taxation on passengers and freight (8 percent to 5 percent, 5 percent to 0 percent).

The historic differential in passenger and air freight tax is justified, in our view at least, by the simple fact that cargo carriers use the airport and airway system less than other carriers. Prime-time freight movements are at night after periods of maximum airport congestion and pure freighter flights are very few. Table 7 of the FAA/CAB "Airport Activity Statistics of Certified Route Air Carriers" reflects that less than 0.9 percent of departures from domestic airports are by pure freighter aircraft. Having pointed this out, I should hasten to say that the air freight business should pay for its use of our national airport and airway system on some equitable basis. For this reason, if an airbill tax must be imposed, we recommend that you consider setting it at the 2 percent level. Further, we recommend that if any reduction is made in the level of the passenger ticket tax, that a proportionate reduction be made in the airbill tax in order to preserve the historic relationship of tax levels.

I appreciate this opportunity to present the views of Flying Tigers and stand ready to furnish you and the members of the Committee any additional information or detail which we have which bears upon this very important subject.

Sincerely yours,

THOMAS F. GROJEAN,
President.

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